## FINANCIALTIMES

SOUTH AFRICA

After apartheid comes the hard part

pace of

D 8523A

Doubts over

World News

FT No. 31,247

THE FINANCIAL TIMES LIMITED 1990

#### for Cambodia gets backing of all parties

Talks aimed at a settlement in Cambodia opened in Jakarta with a commitment from all warring parties to support a United Nations peace plan. The plan, drawn up by the five permanent members of the UN Security Council. involves a ceasefire and establishment of a Supreme National Council to govern the country in the run-up to elections. Page 3

Soviet reforms delay Soviet President Mikhail Gorbachev is expected to postpone presenting an economic reform plan to parliament until midweek, reflecting continuing deep divisions between conservative Prime Minister Nikolai Ryzhkov and radicals advising both Mr Gorbachev and Russian Federation President Boris Yeltsin. Page 18

German UN move Proposed change in the German constitution to allow participation in United Nations peace-keeping activities under-lines a united Germany's new world responsibilities, Chancellor Helmut Kohl said. Page 2

#### Skutto poll bid

Benazir Bhutto, Pakistan's ousted Prime Minister, is to stand in elections in her home province of Sind, despite political trials by the militarybacked caretaker government.

Romanians protest Three thousand Romanian workers and intellectuals

staged a joint demonstration in Brasov to protest at government failure to solve the country's grave economic problems. Page 4

#### Mandela in Zajre

Nelson Mandela arrived in Zaire for his first meeting with President Mobutu Sese Seko, national radio reported. Meanwhile, at least 26 people died in attacks in the black South African township of Soweto. Page 4

#### Surma troop alert

Burmese troops living off base in Rangoon have been warned by their commander to be on their guard ahead of the second anniversary of the military's bloody suppression of pro-democracy protests.

#### Lebanon deaths

Three people were killed and 20 wounded as at least 5,000 families fied Sidon, south Lebanon, after fighters loyal to PLO leader Yassir Arafat and gunmen of Abu Nidal's radical Fatab Revolutionary Council exchanged rockets and mortar fire, security sources said.

Task force attacked Liberian rebel leader Charles Taylor launched an attack on the five-nation West African task force in the capital, Monrovia. The West African troops

held off the rebels.

Zambia protest rally More than 120,000 pro-democin the Zambian capital, Lusaka, in what observers said

was the biggest political raily in the country's history. Sino-US ties urged

Chinese Communist Party chief Jiang Zemin urged a return to normal Sino-US relations during a meeting with Henry Kissinger, former US

Secretary of State. israel torture probe Israeli police investigating team recommended putting

nine policemen on trial for allegedly torturing Palestinian inmates in a Jerusalem jail. Spanish plant blast Separatist guerrillas were blamed for two explosions which set a petrochemical plant ablaze in the eastern

Spanish province of Tarragona.

20.21

13

Building Contracts \_\_\_\_ 12

**Business Summary** 

#### UN peace plan Congressmen aim to set deadline for budget cuts

US congressmen will meet at the White House today to agree deadline for final accord on reduction of the 1991 budget deficit by \$50bn. Page 15

**EUROPEAN Monetary System** The Italian lira lost ground last week, falling below the Belgian franc despite a small cut in official interest rates in Brussels. At the top of the system the Spanish peseta tended to weaken. Trading was generally subdued, lacking fresh factors.

ems	Sept	embe	7, 1	990
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D-Mark &	71			Ž.
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B Franc	$\mathbb{Z}$			X
Pesets Sterling		****	G	92
OBUILDE !	CC2802		(5,	<b>51</b> )

ECU DIVERGENCE 000 Limit ECU Perky Day Position

The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 21/4 per cent. The lower chart gives currencles' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of currencies.

RMC Group of the UK is negotiating to acquire East German Rudersdorf cement group which owns large works near Berlin. Page 17

EUROPE'S computer users nean Commission directive on computer software.

HOARE GOVETT, City of London stockbroker, is to announce a management

buy-out. Page 17 WORLD Bank has reproached Hungary for hesitancy in restructuring national econ-

EUROPEAN Film: production and distribution companies from five European countries are to form new company. Eurotrustees, to challenge US

dominance. Page 17 GENERAL Electric Company, UK electronics and defence group, is to appoint new non-executive directors. Page 17

**NEW Zealand's Government** will back settlement between DFC New Zealand, collapsed merchant bank, and creditors owed \$1.4bn. Page 19

BAYERISCHE Vereinsbank. Bavarian-based institution, is expanding European pres ance through a co-operation agreement with Spain's Banco de Sabadell. Page 19

PETROLEOS Mexicanos Mexico's largest company, is about to return to Eurodollar bond market. Page 19 CARREPOUR, French super

market group, has reported strong increase in first half profits. Page 19 British Gas: election of left-wing government in Ontario raises doubts about Britgas's proposed C\$1.1bn (\$956m) takeover of Consum-

ers' Gas, Canada's biggest nat-ural gas distributor. Page 19 BRAZIL is to begin talks with foreign creditor banks next month after obtaining \$2bn loan from International Mone tary Fund. Page 3

Gorbachev wins pledge from Bush to renew search for peaceful solution to Gulf crisis

Monday September 10 1990

## Superpowers condemn Iraq

THE US and the Soviet Union yesterday united at their sum-mit meeting in condemning Iraq for its invasion of Kuwait and demanding its uncondi-

and demanding its uncondi-tional withdrawal.

After seven hours of talks in Helsinki, Presidents George Bush and Mikhail Gorbachev pledged their complete solidartry in the campaign to enforce United Nations sanctions against the Iraqi regime. However, they stopped short of spelling out any further mea-sures they might take to end the Iraqi aggression. Instead, Mr Gorbachev won

a renewed emphasis on the need to search for a peaceful solution, and a statement from Mr Bush that "the sooner IUS troops] are out of there, the better."

He also won tacit US recog-nition of the benefit of a Soviet role in the Middle Rast peace process, and a commitment that, as soon as the UN Secu-rity Council resolutions on Kuwait had been enforced, both sides would put renewed efforts into resolving "all remaining conflicts in the Middle East and Persian Gulf."

"Today, we once again call upon the Government of Iraq to withdraw unconditionally from Ruwait, to allow the res toration of Kuwait's legitimate government, and to free all hostages now held in Iraq and Kuwait," the two leaders said in a joint statement. "Nothing short of the com-plete implementation of the

UN Security Council resolutions is acceptable."
In spite of the absence of any new concrete measures to step up the pressure on President Saddam Hussein, both sides seemed satisfied that their emergency summit marked a new departure in superpower

s is a test of the durability of the new approach to resolving world problems," President Gorbachev sald. Both sides recognised "that the

solidarity to enforce interna-

tional peace.



Togetherness: Presidents Mikhail Gorbachev (left) and George Bush before yesterday's superpower summit in Helsinki. They united to condemn Irag's invasion of Kuwait.

Higher oil prices may unleash a worldwide upsurge in oil exploration, according to Sir Peter Holmes, chairman of Shell Transport and Trading. Shell, one of the world's two largest oil companies, believes much of this increased exploration will occur in the US, because of its favourable tax regime. He said that \$25 a barrel was the appropriate price for oil following the loss of just over 4m barrels a day (b/d) from Iraq and Kuwait. Page 2

 Kuwaltis angry at asset freezo, Page 2 Mubarak urges US, Page 2

 Britain ready to go alone, Page 2 • Presidents united on invasion, Page 2 • Iraq seeks Brazilian rockets, Page 2 • Call for bigger Japanese ald, Page 2

 Editorial comment, Page 14 Nato commanders' strategy, Page 16 World Stock Markets, Page 22

ing as we possibly can in the whole of world society, and our tackle all the problems which

realm of economics," he said, adding that he would recom-Although the emergency summit concentrated above all mend closer co-operation on the Gulf crisis, Mr Bush to Congress on his return. confirmed that they had also

However the Soviet leader clearly bridled at the suggesmight be bought. "I wouldn't

#### European monetary want President Bush's reply to give rise to the impression that the Soviet Union is seeking a union grow certain sum with certain behaviour," he said.

The joint statement by the two leaders on the Gulf left

two questions unclear:
"We are determined to se

this [Iraqi] aggression end, and if the current steps fail to end it, we are prepared to consider additional ones consistent with the UN Charter," they said. When pressed to identify what the transport of the t

such steps might be, Mr Bush refused to tackle such a "hypo-thetical" question. Mr Gorba-

chev reiterated the paramount need to reach a political, not

military, solution.

As for the wider Middle East

issues, they agreed to "direct their foreign ministers to work with countries in the region

and outside it to develop

regional security structures

and measures to promote peace and stability." They similarly declined to elaborate.

come away with honour satisfied. President Bush has won unprecedented public Soviet support for a policy which

within the UN process.

Both sides seem to have

By David Buchan and John Wyles in Rome

DOUBTS about the pace of

economic and monetary union emerged at a weekend meeting of EC finance ministers. As a result European Community heads of government will be under pressure next month to restore firm direction towards the EMU objective.

They will have to decide whether to take up earlier plans for a rapid implementa-tion of the project in the light of economic uncertainties created by the Gulf crisis and anxeties about the cost of German unification

The EC's leaders will meet in an Intergovernmental Conference (IGC) to work out a draft treaty on EMU in December. While the objective of agreeing a draft treaty at the conference remains intact, strongest hesitations emerged at the weekend over the European Commission's proposal to begin the move towards a single cur-rency managed by a European central bank on January 1

involves US troops in alien ter-ritory. Mr Gorbachev has gained a statement which puts Considerable sympathy from Germany and Holland, among overwhelming emphasis on a peaceful settlement, strictly others, was expressed for the British view, outlined by Mr John Major, the Chancellor of the Exchequer, that no date Their hope is that it will be enough to convince President Saddam that he must retreat should be set without much and to convince popular opinion in the Arab world that it is greater convergence among the welve's budget deficits, inflation rates and labour market the Iraqi leader who is the

aggressor.

• Lionel Barber adds from Washington: Gen Brent Scow-croft, Mr Bush's national secu-Mr Jacques Delors, the Commission president, received unambiguous support only from France, Italy, Belgium and Denmark for his convicrity adviser, said the show of solidarity in Helainki was "ter-rible news" for President Sadtion that only a firm deadline for launching the next stage of dam Hussein.
Mr Scowcroft played down
President Mikhail Gorbachev's monetary union based on fixed exchange rates and co-ordinated monetary policies would public opposition to the use of

ensure the necessary degree of economic convergence. "There was a surprising extent of feeling around the table that this was not the way to proceed," said Mr Major. Am "arbitrary timetable", said the British Chancellor, which bore no reference to convergence would cause "grave difficulties" including high regional unemployment, or a collapse of

developed member states. The result of British pressure appears to be that the Commission will be set to work on producing some criteria for convergence. A compromise approach suggested by Mr Wim Koch, the Dutch Finance Minister, based on setting a for the next phase of EMU, Continued on Page 16

sset values in some of the less

#### "We should be as forthcomto meet the new situation, and work, he said. Shoulder to shoulder in pursuit of peace

the Soviet economy.

discussed the growing plight of

arise.

IT WAS as if they had been doing it all their lives: calling emergency superpower summits to stand shoulder to shoulder in the pursuit of peace, not war, writes Quentin Peal.

Everything went like clockwork, everyone spoke the work, everyone spoke the right lines and there was a good deal of good humour, in spite of the underlying grim-ness of the confrontation in

The George and Mikhail Show is the new reality, with George mangling his metaphors ("differences still remain, but the common ground surges shead of these differences") and Mikhail, tending to ramble on a bit. But they are well on the way to making a battle-hardened dou-ble-act.

two great states, are undergo-

ing a trial.

"As we enter upon a new peaceful period, and emerge from the Cold War, we see that no less efforts are necessary in

order to find ways and means

George's microphone doesn't work, so Mikhail says: "Hit it" - classic Soviet mechanical

treatment. Mikhail almost dared to tell a deep secret of the negotiations, but stopped short at the last moment. "I'm dying to take the risk and tell you, but I haven't cleared it with the President," he said,

Both sides owe a lot to the Finnish Government, which put the whole show together in no more than a week. All the security, the accredita-tions, working rooms and

"I'll trade you for my tie-n," Mr Bush told a lady with a half-eaten apple, but he

didn't hang around for her to accept the offer. As for Mr Gorbachev, he made sure he didn't stay long enough for Finnish prices to bankrupt his

force to drive Iraqi forces out of Kuwait. It was time to let the UN economic embargo

mon theme for the US visitors, although Mr Gorbachev seemed to be losing little in spite of the desperate plight of Continued on Page 16

#### transport were in place, although the intercontinental Hotel was high-handed in cancelling reservations...top priority to the White House press, Soviet advisers and press corps, and shot back to Moscow and the bread quenes. Sleep seemed to be a comeven if they came late. Of course, Helsinki is not one of the world's great swinging cities. But the drizzle held off when the stars met the peo-

#### Nato chief calls for strategy to operate outside Europe and US Motorway By David White, Defence Correspondent in London "This could not have been done if the US was sitting at home inside our gates," he Gen Galvin, who is also commander-in-chief of the US European Command, warned

THE Nato alliance should compassing view of things" to cover other actions that impinged on its security. review its treaty to enable it to respond to emergencies such as the Gulf crisis, according to Referring to European chariness about an "out-of-area" role for Nato, Gen Galvin General John Galvin, the supreme Allied commander in

Gen Galvin said in an interview with the Financial Times "It's going to be, however, that future Nato strategy needed to take account of "crisis management" as well as war planning.
"The structure, the machinery for meeting a crisis, will

have to be re-examined and strengthened," he said. The 1949 North Atlantic Treaty provides for a joint response to an armed attack against any of the allies' terriagainst any of the alines terri-tory in Europe, North America, the northern Atlantic or the Asian part of Turkey. The lim-its on its scope largely reflected US concern at that time not to become embroiled in European colonial conflicts. "I think we'll have to go

back and look at that again,

Gen Galvin said. Nato would

have to take a "more all-en-

US Money & Credit ..... 20

accepted that it would be a difficult issue.

something that is definitely part of Nato's future." Nato had up to now been focused on specific assumptions about a threat from the Soviet Union. It now needed "a much more complex and effi-cient network of communica-tions" to deal with crises.

He added: "The planning for what would happen if war did come would have to involve things like mobility with much bigger emphasis so that the southern region of Nato could The deployment of US forces to the Gulf had demonstrated the importance of maintaining

bases in Europe and other

areas, such as the island of

Diego Garcia in the Indian

against reducing US troop levels in Europe to a symbolic or caretaker force. "The US is the leader of the

western alliance and has to set the example," he said.
Adequate US forces in Europe should comprise at least one army corps (there are currently two), the 6th fleet in

the Mediterranean, tactical fighter wings and other air support forces. He expressed concern that other allies' defence budget plans would reduce their forces by more than the 15 per cent foreseen in the Conventional

Armed Forces in Europe (CFE) treaty now being negotiated in Vienna. It was crucial that additional cuts should be built into a further negotiated agreement at a later stage. Interview, Page 3

#### FORTHCOMING SURVEYS



TODAY: Reinsurance: a period of underlying uncertainty.

☐ Hungary: September 17.

☐ World Car Industry: September 18. ☐ European Duty Free

Industry: September 20. City of London Property: September 21.

September 24. ☐ World Economy: September 24.

# grade for 260 miles: of A1.

## A new drive for Peterborough. (nice one, Cecil.)

and be looking at acerborough.

THE PETERBOROUGH, For further inforborough Developen. If you're looking for development or

CONTENTS THE MONDAY INTERVIEW

Composer and conductor Pierre Boulez, tory to his own aesand wittily tolerant.

fierce polemicist of the 1950s and 1960s, who rewrote musical histhetic prescription, is today genial, relaxed

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Massachusetts: A "palace coup" humiliates Governor Dukakis Management: Delivering tomorrow orders made today Editorial Comment: Common Iront in Helsinki; Mrs Thatcher's long haul ..... Britain The north-south divide is beginning to Lox: A private market's opening problems; textiles; UK construction .....

Fuel prices start to hurt: industry is in for more pain after weekend petrol increases .... 17 Survey: Reinsurance ... UK GHts .... \_\_ 20

14

by last winter's catastrophic storms in north-west Europe. Attitudes are now changing the

Weathering the atorin; the reinsurance industry was hit hard

two weeks:

**Surveys** over the coming ☐ Wales: September 17.

□ Denmark: September 21. ☐ World Nuclear Industries: HIGHER oil prices are likely to unleash a worldwide surge in exploration for oil, according to Sir Peter Holmes, chairman

of Shell Transport and Trad-

Shell, one of the world's two largest oil companies, believes that much of this increased

exploration will occur in the US, because of the favourable

Sir Peter, in his first full interview since the Gulf crisis

began, said \$25 a barrel was

Kuwait. "I would have thought

that the equilibrium price

would be somewhere in the

which was keeping oil prices

There is a mild shortfall

any real shortage, but on the other hand, there is no longer a cushion," Sir Peter said. The fact that oil prices were

now around \$30 a barrel

reflected fears about war in the

Gulf. "It's simply people's wor-ries about what might happen in terms of the conflict... It's a

war worry, it's not an equilib-

rent price was not sustainable:

The market is between two

ends: one end is war and much

higher prices in the short term. The other end is, once the war is over, prices will probably be

lower again."

Shell's chairman predicted that an end to the crisis would push oil prices sharply lower

Sir Peter added that the cur-

That is because the crisis has almost exactly removed the cushion of over-production

the appropriate price for oil fol lowing the loss of just over 4m barrels a day from Iraq and

## Mubarak urges US to keep preparing for war

THE US was urged at the weekend by the moderate Arabs to continue its war preparations and to take whatever steps might be necessary to destroy Iraq's military strength if diplomacy failed

President Hosni Mubarak of Egypt, who pledged to send more troops to Saudi Arabia, said peace would not come to the Middle East while Iraq was in possession of a vast arsenal of chemical and other weap-

Speaking in Alexandria on Saturday with Mr James Baker, the US Secretary of State, at his side, Egypt's leader said that while a diplomatic solution to the Gulf crisis was desirable, the military option might be necessary.

ent issued at the end of a

one-day superpower summit yesterday in Helsinki.

WITH regard to Iraq's invasion

and continued military occupa-

tion of Kuwait, President Bush and President Gorbachev issue

the following joint statement:
"We are united in the belief
that Iraq's aggression must not
be tolerated. No peaceful inter-

national order is possible if

larger states can devour their smaller neighbours.

ment of our Foreign Ministers of August 3 1990, and our sup-port for United Nations Secu-

rity Council resolutions 660, 661, 662, 664 and 665.

upon the government of Iraq to withdraw unconditionally from

Kuwait, to allow the restora-

tion of Kuwait's legitimate gov-eroment, and to free all hos-tages now held in Iraq and

"Nothing short of the com-plete implementation of the

United Nations Security Council resolutions is acceptable.

Hurd calls

for bigger

contribution

from Japan

By Ian Rodger in Tokyo

MR Douglas Hurd, the UK Foreign Secretary, has called on Japan to make a bigger

contribution than it has so far

to the multinational effort to force Iraq to withdraw from

"Japan has made a good start, but I shall be encourag-

ing it to do more," Mr Hurd said on the eve of wide rang-ing annual bilateral ministe-rial talks. "The requirements

in the Gulf are mounting all the time. Every country has to

contribute according to its means, and Japan has consid-erable means."

Japan, which faces legal and political obstacles to sending

military personnel and equip-

ment to the Gulf, has so far committed \$1hn (£510m) to help the multinational forces

there and \$22m for refugee relief. It is also working on a package of soft loans and

grants for Jordan, Egypt and Turkey.

Mr Hurd said he would wel-

come an offer of minesweepers

from Japan, but it was up to the Japanese to decide

whether they could do that. He

said Japan was now seeking a

bigger role in world political decision-making, and it had to

recognise there was a price to pay for this.

The foreign secretary was

expected to raise several other

matters in three hours of talks

this morning with his Japa-nese counterpart, Mr Taro Nakayama, including aid to

eastern Europe, developments in Hong Kong and China and the recent warming in Japa-nese-Soviet relations.

Although bilateral problems

Specific bilateral agree-

ments on joint aid to eastern

European countries were likely to be reached, British officials said. Mr Hurd said Japan had considerable man-

agement and technology skills to offer, while the UK could

provide language and institu-tional guidance.

The UK supports Japan's decision to resume business contacts with China this sum-mer, and Mr Hurd was to seek Mr Nakayama's assessment of

China's progress since last

The foreign secretary was

eager to learn of the results of

ardnadze. the Soviet Foreign

Minister, to Tokyo last week.

year's upheavals.

were few, Mr Hurd was to urge that Japanese financial insti-

Today, we once again call

"We reaffirm the joint state-

"You know we are against chemical weapons, against the presence of missiles, because this is a very destructive means," Mr Mubarak said.

Egypt announced at the weekend that it is to send at least one mechanised division of 12,000-14,000 men to Saudi Arabia to reinforce 5,000 desert-trained commandos already on the ground, writes Tony Walker. A western military attaché in Cairo said he expected that one division would be sent initially, with another

"I think peace will never come with the presence of all these forms of weapons in the

in reserve.

Mr Mubarak's hard-line public remarks reflect the views being expressed in private by some of his advisers that the US and its allies should not delay too long in preparations for war against Iraq, which is showing little sign of compro-

Presidents united on invasion

"Nothing short of a return to the pre-August 2 status of Kuwait can end Iraq's isola-

We call upon the entire world community to adhere to

the sanctions mandated by the

United Nations, and we pledge to work, individually and in concert, to ensure full compli-

"At the same time, the US

and the Soviet Union recognise

that UN Security Council reso-lution 661 permits, in humani-

tarian circumstances, the

importation into Iraq and Kuwait of food. The Sanctions

Committee will make recom-

mendations to the Security Council on what would consti-

tute humanitarian circum-

Union further agree that any

such imports must be strictly

monitored by the appropriate

international agencies to ensure that food reaches only

those for whom it is intended,

with special priority being given to meeting the needs of

Our preference is to resolve

"The US and the Soviet

ance with the sanctions.

several days of talks in Saudi Arabia before travelling on to Egypt, is likely to have received a similar message from Saudi and Kuwaiti lead-

Egypt and Saudi Arabia, fear there may be a protracted sanctions battle in which President Saidam Hussein could be seen to be defying international pressure, while at the same time continuing his attampts to whip up anti-western sentiment throughout the

the Arab world. Cairo has been deeply angered by the stream of abuse from Baghdad. Mr Mubarak, who talked

with Mr Baker for about 90 minutes, was careful, however. to say that diplomatic efforts should be given every chance to succeed before there was

the crisis peacefully, and we will be united against Iraq's aggression as long as the crisis

"However, we are deter-mined to see this aggression end, and if the current steps

fail to end it, we are prepared to consider additional ones

consistent with the UN char-

ter. We must demonstrate

beyond any doubt that aggres-

sion cannot and will not

pay.

"As soon as the objectives mandated by the UN Security Council resolutions mentioned above have been achieved, and

we have demonstrated that

aggression does not pay, the Presidents direct their foreign

ministers to work with countries in the region and outside it to develop regional security structures and measures to

promote peace and stability.

"It is essential to work actively to resolve all remain-ing conflicts in the Middle East

and Persian Gulf. Both sides will continue to consult each other and initiate measures to

pursue these broader objectives at the proper time."

request, follows the acceptance last month by Iraqi President Saddam Hussein of Iran's

Mr Aziz, who is also deputy prime minister, is expected to ask Iran to return the favour

On Saturday, the National Security Council met under President Ali Akbar Hashemi Rafsanjani and repeated Iran's

releasing \$400m in frozen assets to Iran to prevent Tehran drifting towards Iraq, according to reports in Washington, reports Lionel Barber.
General Brent Scowcroft, national security advisors

national security adviser to President Bush, said yesterday that the US had been in regu-lar indirect contact with Iran, but he declined to confirm or deny the Newsweek report. Mr Scowcroft said discus-

sions aimed at resolving the dispute over \$1bm (£510m) of essets frozen after Iranian mil-itants selzed the US embassy in 1979 had been going on for several months. "A very high percentage [of the cases] have been resolved," he noted.

#### **Baghdad** envoy seeks help from Tehran

By Our Foreign Staff

Foreign Minister, to Iran yes-terday to seek peace and Teh-ran's help in heating United Nations trade sanctions imposed for seizing Kuwait. He was accompanied by Mr Issam Shalabi, Iraq's Oil Min-Issam Shalabi, Iraq's Oil Minister. Sources in Saudi Arabia believe the Iraqis are anking Tehran to sell them food at inflated prices, in violation of UN sanctions, and buy Iraqi oil cheanly for export through Iran's Kharg Island terminal.

The Iranian news agency IRNA said Mr Aziz, the first top Iraqi official to visit Iran since the 1979 Islamic revolution, would stay for one day. Tehran Radio said he would discuss Security Council reso-

discuss Security Council reso-lution 598, which formed the Opec can make up 3m b/d, demand will be down a bit, perbasis of a Gulf war truce, with All Akbar Velayati, the Irahaps by the middle of next nian Foreign Minister. year by half a mution of course there are the The visit, at Baghdad's stocks... So there shouldn't be

terms for a formal end to the 1980-88 war.

and allow goods across the for-mer war fronts.

opposition to the annexation of Kuwait. • The US is considering

Surge in oil exploration predicted

again, just as had happened after previous oil shocks. "The post-crisis years, '74 and '81, were years of surplus. That was because people reacted to the crises by pulling out all the

would contribute to a surplus of oil immediately after the present crists, if it proves to be

First, increased output as a result of a surge in oil explora-tion and the re-opening of mar-ginal capacity. "If people really thought \$25 [a barrel] were here to stay, there would be an upsurge in exploration, particularly in the States," Sir Peter

He estimated that 400,000-500,000 b/d of small wells in the US, which were closed down because of low oil prices, could be restarted fairly quickly. "At

to come back on." However, Shell's own exploration activity, which last year cost £656m in 50 countries. would not increase. "We think we are exploring pretty well as hard as we can go."
Secondly, falling demand,
particularly in the US, as a

result of the higher prices. Sir Peter, who keeps a graph in his office tracing the relation between US gasoline prices and demand, predicted that present prices, sustained for a year, would cut US gaso line demand by 500,000 b/d

from the current level of about While acknowledging the beneficial impact of the price rises on the oil companies' "upstream" production activi-ties, Sir Peter said that "downstream" margins had been petrol price rises at the pump had failed to keep pace with

increases on the spot market Sir Peter revelaed that Shell had decided against an advertising campaign to explain this point to the general pubic, because it doubted whether many politicians and the popular press were interested in reflecting the truth.

"MPs should know better.

These politicians have to be elected and they have to make popular noises. In the States it's worse. Virtually every gov-ernor has written to the oil companies and Congress is hot on the trail. They all know what the facts are." Sir Peter

Shell's chairman also said that higher oil prices would feed through to higher gas prices in most of Europe early next year, as a result of the six-month lags in most large European gas contracts. Pain beyond the pumps, Page

## Britain ready to go alone, says Waldegrave

BRITAIN would only support asking for United Nations approval of military action against Iraq if there were absolutely clear indications the Security Council would not veto it, Mr William Waldegrave, a Foreign Office Minister of State, said yesterday.
Underlining the government's strong stance that fur-

ther UN approval of military action need not be sought, Mr Waldegrave said achieving the

objective of ending the Iraci occupation of Kuwait was a ing international consensus.
We need the widest possible

tory needed, but if we were to say that what matters more is the maintenance of consensus. we would be putting the cart before the horse," he said. Interviewed on London Weekend Television's Walden

tions of both the UN and international law, he said. However, Mr Waldegrave insisted that the international

consensus was growing. He was confident of continuing Soviet support because President Gorbachev saw the

said the government did not want to risk the failure of ask-

ing for UN support for military

action only for it to be vetoed. This would be the worst out-

come and shatter the reputa-

tional community.

Mr Waldegrave also said greater efforts would have to made to solve the Palestin

interests of his country lay in

ian problem once the crisis was over. "We cannot just go back to pretending that nothing needs to be done about the Palestinian problem. It seems to me that it is one of the things that contributes to the under-

## Kohl hopeful over constitutional change 'Slum conditions' for

THE proposed change in the German constitution to allow the Bundeswehr to participate in United Nations peace-keeping activities will underline a united Germany's new world responsibilities, Chancellor Helmut Kohl said yesterday.

Mr Kohl came out strongly in favour of a change in the constitution after the December 2 elections permitting German troops to join multina-tional peace efforts. This would be a contribution to "international solidarity", he said in a radio interview . West Germany's refusal to

take a direct role in the US-led military build-up in the Gulf has come in for criticism abroad, particularly in Wash-

There has been auspicion that Bonn is hiding behind the somewhat ambiguouslyphrased articles in the consti-tution over the role of the Bundeswehr in order to duck its

Responding to this, Mr Kohl said that in cases like the Iraqi invasion of Kuwait, "We can-not stand aside." The present constitutional ban on involvement in UN peace-keeping was "in no way tolerable for the future", he said.

Mr Kohl's willingness to aid

the American military strategy in the Gulf is likely to be spelled out when Mr James Baker, the US Secretary of State, comes to Bonn next Saturday. Mr Kohl wants to make a gesture to thank the US for pushing through international agreement on German unity. Bonn appears to have set its face against direct payments to the US to support the Ameri-

can military deployment in Saudi Arabia. But the govern-ment has declared its willingnent has declared its willing-ness to step up assistance for states such as Egypt, Turkey and Jordan affected by the cri-sis, and also to help the US in air-freighting military material to the Gulf.

#### Iraq seeks Brazil rockets

IRAQ is trying to buy rockets from one of its traditional suppliers, Brazilian arms maker Avibras, according to Folha de São Paulo newspaper, our For-eign Staff writes. Avibras was unavailable for comment.

The news of Iraq's attempt to buy Brazilian rocket equip-ment comes just a day after it emerged that the Bush administration had agreed to lift a ban on export to Brazil of heat-treated rocket casings that US

missile experts believe could eventually help Iraq.
Iraq and Brazil have close
and long-standing co-operative
ties on missile and space
launch vehicle projects, although these have suppos-edly been ended.

The Brazilian newspaper report said Avibras was testing its stocks of Astros rockets and preparing about \$100m worth of equipment for delivery to the Middle East. **NEWS IN BRIEF** 

Asians in Kuwait

A NORWEGIAN embassy official has reported slum conditions and dangers of disease and starvation for some 500,000 Asians trapped in Kuwait, Tony Walker writes from Cairo.

Ambassador Hans Longva, evacuated to Baghdad over the weekend, warned that conditions for Indians, Pakistanis, Filipi-

He said food supplies were dwindling by the day and the black market cost of food meant that it was beyond the means of thousands of refugees. "It is a very, very serious problem," he said. "Unless somebody does something it will be a catastrophe."

300 refugees an hour

Asians fleeing the Gulf crisis are flocking into Jordan at the rate of 300 an hour and tens of thousands more could arrive in a lew days, relief workers said yesterday. Reuter reports from Amman.
The official Jordanian news agency Petra said 420,000 people had fled to Jordan since August 7, five days after Iraq's invasion of Kuwait, and 80,000 people were still in transit camps.

Explosions in Iraqi town

A series of 46 explosions were heard in the Iraqi town of Qaem near Syria's eastern border yesterday, Syria's official news agency reported, AP reports from Damascus. The agency's correspondent in the Syrian town of Boukamal, 3 miles west of Qaem, reported that minutes later, appeals for urgent blood donations were made over loudspeakers in mosques.

Syrian human rights attacked

Human rights abuses in Syria continue to be among the most flagrant in the world in spite of flickering signs of greater liberalisation, according to the New York-based Middle East Watch, Tony Walker writes from Cairo.

The human rights group reporting on the widespread mistreatment of political prisoners and minorities in Syria, warned the west against identifying too closely with a repressive regime simply because of shared political goals.

Kuwait Airways to fly again

Having lost two thirds of its fleet to Iraqi invaders, Kuwali Airways announced at the weekend that it will resume flying in the near future, writes Lara Marlowe in Dhahran. It is transfer-

## Kuwaitis angry over Bank's freeze of their assets

David Lascelles meets businessmen disillusioned with British law and bureaucracy

tations participate to the full-est possible extent in re-finan-cing the Channel tunnel project, now in the midst of difficult negotiations. HE freeze on Kuwaiti assets may be preventing Iraq from getting its hands on Kuwait's wealth. But it has also made life a nightmare for Kuwaiti individuals and businessmen, particularly in the UK, where they have the bulk of their overseas assets.
Under the freeze, Kuwaitis can only

withdraw enough money to pay for their living and other essential expenses. They need special permis-sion to sell investments or transfer money abroad. And all permission has to come from the Bank of England, where a horse backlos of amplications where a huge backlog of applications

means long delays.

Mr Tawfeeq Al-Omar is one of those who have been caught up in the freeze. He is managing director of his father's company, Abdullah Al-Omar General Trading and Construction. He and his family escaped by car from

Kuwait on August 12 and made their way to London, where they hoped to re-establish control over their com-pany's overseas investments, worth tens of millions of dollars. Instead, Mr Al-Omar was told by his

bankers and brokers that they could not transact any business for him because all his accounts had been Mr Al-Omar says the freeze has now cost him millions of dollars because he has been unable to sell out of loss-

The situation was not so had in the US, where the freeze is less severe. But there is a limit on what he can do because ultimately payments have to pass through his accounts in London. He is now a frustrated and angry

"We set up an investment company in the UK under English law because

we thought it was a very safe law," he Another victim is Mr Sulaiman Al-Bassam, managing director of the Arab Maritime Petroleum Transport

Company.

Although a Saudi national, Mr AlBassam has found his accounts
blocked because he gave a Kuwalt
post office box number as his address
when he consider his accounts his constant has become he constant his constant has become his address. when he opened his accounts in Lon-don, and because his company is partowned by the Iraqi and Kuwait gov-

e has hired a firm of London lawyers to try to get his accounts unfrozen, so far without success. And he blames the institutions and the bureaucracy of the Bank of

"I appreciate that the freeze

introduced to protect assets," he says.
"But it must be done in a way that
does not cause damage. Now, though,
it is beginning to cause damage."
The Bank of England admits that it
has been snowed under with amplicahas been snowed under with applications from Kuwaitis. But nearly a month after the freeze was intro-duced, it now has 20 people working full-time on it and says it hopes to clear the backlog soon.

Bankers say that there are clearly lessons to be learnt from the way the freeze has been handled. Unlike other countries such as the US which froze particular Kuwalti-owned institutions, the UK froze all accounts owned by particular Kuwani-owned misusum the UK froze all accounts owned by residents of Kuwait.

Although this was supposed to make it easier for banks to identify which assets were blocked, it has turned out in practice to cast a very wide net

Where banks are uncertain, they prefer to consult the Bank rather than authorise what could illegal transac-

The experience of the Kuwaitis could also cause foreigners to move their funds out of the UK for fear of their funds out of the UK for fear of being caught up in some future freeze. Both Mr Al-Omar and Mr Al-Bassam say they will transfer their funds abroad as soon as they are able to.

"I would describe the UK as an unsafe place if I cannot get at my own money," says Mr Al-Bassam.

Whether the victims of the freeze still go so far as to sue the Rank of

whether the victims of the freeze will go so far as to sue the Bank of England remains to be seen. The possibility has certainly be recognised at the Bank, and account was taken of it when devising the terms of the freeze.

Given the size of Kuwaiti assets in the
UK, the potential for losses is enor-

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#### INTERNATIONAL NEWS

## Brazil to meet banks after \$2bn loan from IMF

By Christina Lamb in Rio de Janeiro

THE BRAZILIAN Government is expected to begin talks with its foreign creditor banks next month after obtaining a crucial \$2bn loan from the International Monetary Fund.

The IMF agreement, to be The IMF agreement, to be signed formally in October, gives the first tangible seal of approval to President Fernando Collor de Mello's drastic economic adjustment programme. The Government homes it will lead to better rule. hopes it will lead to better rela-tions with the international financial community at a time when Brazil's credit rating is at an all-time low.

Two years ago, an IMF loan was suspended because of Bra-zil's failure to meet public sector deficit targets. In July 1989, Brazil stopped most interest payments on its foreign debt and is now \$6bn in arrears to commercial banks and \$2bn to the Paris Club group of govern-

ment creditors. Speaking in Brasilia on Saturday, Ms Zelia Cardoso, the Economy Minister, said: The most important thing about the IMF agreement is not the amount but that it paves the way for negotiations with the Paris Club and private credi-

tors." Brazil's continuing de facto debt moratorium had been a sticking point in IMF negotia-tions. The major creditor

MS Renazir Bhutto, Pakistan's ousted Prime Minister, is to

stand in elections next month

despite the prospect of being put on trial by the military-

backed caretaker rulers, Reu-ter reports from Karachi.

Her Pakistan People's Party (PPP) said she would stand for three national assembly seats

in her home province of Sind,

including one from Nawab-shah, the home town of care-

taker premier Ghulam Mustafa

Jatoi. She will also contest two

seats from her ancestral dis-trict of Larkana and the pro-vincial capital Karachi, both of

which she won in the last elections in 1988. A candidate can

contest more than one seat at a

time but can keep only one Some former PPP govern-

ment ministers have already

appeared before special courts which can disqualify politi-

which can disquality politi-cians from taking part in elso-tions and jail them. The care-taker administration, composed of the PPP's oppo-nents, has threatened a similar action against Ms Bhutto.

The PPP announced a provisional list of candidates for Sind and Sheikh Rafiq Ahmad,

the party's secretary-general, said lists for the three other provinces would be issued

Ms Bhutto told an Islamabad newspaper that she and the PPP would continue to domi-nate politics even if she was

jailed or disqualified by a spe-

Bhutto to

stand in

elections

banks are likely to be angry that the agreement was given with no public insistence on Brazil resuming payments. A similar IMF facility to Argentina this year was only granted after the country agreed to

dent Collor told the Financial
Times that a token payment
was "being discussed." Mr
Ibrahim Eris, president of Brazil's central bank, who two
weeks ago insisted no interest
would be paid this year, said in
Washington: "Brazil intends to
negotiate with the banks as
soon as possible there will

The creditor banks to which Brazil owes \$57bn are furious at its attempts to negotiate with individual banks. Of the 30 banks invited for one-to-one talks in Brasilia only 12 accepted, seeing it as an attempt to undermine the Advisory Committee through which negotiations are usually conducted. However, their hopes were raised when on Fri-day Mr Eris said he hoped to

## make a token payment. However, the Government apparently softened its stance after the IMF team left the country 10 days ago with no agreement. Last week President Collor told the Financial

soon as possible. . . there will be a general affirmation of this in the accord."

begin negotiations with the committee probably in Octo-

#### Pressure grows on

Kaunda

MORE than 300,000 people gathered in the Zambian capi-tal at the weekend to hear opposition leaders challenge President Kenneth Kaunda to speed up the pace of reform, police said, Reuter reports

from Lusaka. The rally was organised by the Movement for Multi-party Democracy formed two months ago after President Kaunda reluctantly agreed to hold a referendum next August on whether to end 17 years of one-

party rule.
Mr Arthur Wina, the movement's chairman, told the crowd: My advice to these power-hungry people who want to cling on to power is [to] make alternative arrangements for your resignation - because we are not going to wait." Mr Wina urged the government to hold the referendum this year.

#### PLO claims victory over Abu Nidal

MR Yassir Arafat's Palestine Liberation Organisation guer-rillas claimed yesterday they had defeated supporters of ter-rorist leader Abu Nidal after

tonst leaner Aou Midal atterbattles in tunnels under Lebanon's largest refugee camp, AP
reports from Sidon.
Police reported that at least
75 people had been killed and
more than 200 wounded since PLO fighters, mainly drawn from Mr Arafat's mainstream Fatah faction, cracked down on Abu Nidal's gunmen.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

## Nato commander on alert as peace beckons

Gen Galvin tells David White of his concern over the pace of disarmament in Europe

"Some kind of windfall for Nato" by refocusing attention on defence, says Gen John Galvin. "Just the oppo-site."

Gen Galvin, whose job it would be, in the increasingly improbable event of a war in Europe, to take command of Nato's forces, is worried about the "enormous costs" deployments to the Gulf are adding to strained defence budgets. He is also provided that the page of also worried that the pace of negotiated disarmament in Europe will be overtaken by western countries rushing to make their own cuts.

His predecessors as Supreme
Allied Commander Europe
(Saceur) — including Dwight
D. Eisenhower and Alexander
Haig — all faced "a looming,
homogeneous, very specific

Now, two months before the expected signing of Conventional Armed Forces in Europe (CFE) treaty, Gen Galvin recognises that the risk of Nato being caught by surprise by the Soviet Union is "signifi-cantly less." Nato forces' alert

time is already being relaxed. For the Soviets to get their divisions into fighting condition and move them across eastern Europe would "present quite a challenge for them, to say the least." But he warns: "We would still need to consider that such a move is possible. . . we need to put some of our minds to what we would do in the event, however remote, that it might happen."

If Nato built its forces on the basis of the CFE proposals, "we could come close to meeting the size of the force the Soviets could put forward," Gen Galvin says. "But my worry in this is, as we look at national planthink that most people will feel that's enough."

levels that are permissible under the treaty. Now, that would be all right if the Soviets also did not meet their levels. But I see a determination on the part of the Soviets to meet the levels of CFE. In fact, I see a great deal of discomfort in the Soviet military that they will have to come down to those levels in the first place." He is anxious that Nato mem-

ning, that we won't come close to meeting our own equipment

bers should stick to their ceil-ings under CFE until a new phase of negotiations ("CFE2") He expects this may be slow in coming. "My guess is that both sides will not go gently into a new CFE," Gen Galvin says. They will already have a lot on their hands with complex equipment reductions, the "tide" nextletions ("CFE12") ing-up" negotiations ("CFE1a") expected to follow, new talks on short-range nuclear forces, inter-nal Soviet troubles and western involvement in the Gulf. "I

owever, Nato will later need to "keep moving" need to "keep moving" on conventional disarmament. "At lower levels of military strength, the dangers of being out of proportion to a potential adversary grow much

If Nato members want to cut forces further, they should "get these things signed on the dot-ted line." All reductions should be tied into international agreements. "If not, we will be lower-ing and raising levels of troops willy-nilly. . . we are going to be in the same position we've been in periods of uncertain peace in the past, such as the time between World War 1 and World War II."
The US, he says, should set

the example to allies by main-taining "viable, competent, believable" forces in Europe. "In terms of the navy, that means the 6th Fleet. In terms of the army, that means not only a corps, of which there are now two, but also the air defence, the long-range communications, the intelligence and command and control capabilities, and other aspects of a ground force, as a minimum." It should also include a "sufficient number" of tactical fighter wings and other air-

Below that the force would still be a level of a certain level of commitment but it would not be the same symbol of lead-

Gen Galvin hints at a possible east-west agreement on total armed manpower in Europe's central region, although Nato's current proposals cover only US and

Soviet foreign-based forces. Nato initially rejected a Soviet suggestion of a 700,000-750,000 troop limit for each side.

But he warns of the near-impossibility of monitoring troop totals. I hope we will not have people who will later argue that the treaty is not good because the manpower is not verifiable. We should go into this with open eyes. Manpower is not verifiable."

The distinct change in atti-

tude to the proposed man-power ceiling is indicative of the "shifting sands" of policy considerations since disarma-ment talks started last year. Gen Galvin is also revising his stance on the kind of nuclear weapons Nato needs.
The man he replaced in 1987,
Gen Bernard Rogers, was recal-

led by President Reagan after complaining that US nuclear disarmament policy gave him gas pains. The 61-year-old Gen Galvin is more flexible. Until recently, he firmly defended the maintenance of land-based nuclear weapons, expressing worries about relying solely on aircraft for a tactical strike



Gen Galvin: flexible

capability. But now he says things have changed. Gen Galvin's middle name is Rogers, but his is a very different style from the square-jawed Kansan who preceded him: a New Englander, bookish, a historian of the Ameri-can Revolution, with a degree

in English from Columbia. In the early 1980s he com-manded the 24th Infantry Division, currently in Saudi Arabia. Would be rather now be in the shoes of General Norman Schwarzkopf, commander of US forces in the Gulf? Gen Galvin smiles gently. "I have got enough to do," he says.

#### US unveils immigrants' shrine

By Alan Friedman in New

ELLIS ISLAND, the New York immigration centre which served as a symbol for millions of newly-arrived immigrants to America, opens today as a memorial museum after a lavish, eight-year renovation costing \$156m (£88m). The island in New York

harbour processed more than 12m immigrants during its peak years of operation etween 1892 and 1924. The once dank hall on the island, which is situated a

stone's throw from the Statue

of Liberty, has been restored to a pristine condition that few of the bedraggled immigrants would recognise. The museum occupies a grand Beaux Art building where anxious immigrants used to wait on rows of

benches to learn whether they would be accepted in



Doorway to America: a family of Hungarian immigrants photographed in 1910 by Augustus F. Sherman, Ellis Island's registry room chief clerk

America or turned away. A key feature of the new Ellis Island Immigration Museum is an exhibit replete clothes, photographs, kitch-enware and other personal effects which immigrants The island itself, consid-

ered the best-known gateway to America in the early decades of this century, can be reached from Lower Man-hattan by ferry.

#### Tokyo dispels market blues at art auction

By Michlyo Nakamoto in Tokyo

THE Japanese appetite for art has not been much dented by the Middle East crisis and the subsequent collapse of the domestic stock market, judging from the success of the first public auction of twentieth

century Japanese paintings held in Tokyo yesterday. The Shinwa Art Auction brought 102 western and tradi-tional style Japanese paintings to an audience of 1,200 in the spacious "Peacock Room" of a big Tokyo hotel. Sales, which came to Y5.97bn (£22.5m) at the post-auction count, offered few surprises, falling as they did within the estimated range of a total Y5.4bn to Y7.1bn. The failure rate at just 10 per cent was low enough to indicate to the auctioneer that Japanese collectors and dealers are still

eager to buy.
"I am very pleased with the outcome," said Mr Tatsuo Hirano, president of Shinwa Art Auction, which was set up this spring at his urging by five

Japanese galleries. There was interest enough in the leading Japanese names in western-style Japanese oil painting and traditional nihonga, but bidding was rela-tively subdued. There was little of the tense bidding with prices spiralling upwards that might have been expected from Japanese collectors looking at a market that they know best. While most of the paintings that were successfully auc-tioned fell within the auctioneer's estimates, many sold at

the lower end. Only one painting, a tradi-tional nihonga scroll of a monkey sitting on a tree branch by Kansetsu Hashimoto, caused a big stir. The painting was sold for Y230m, compared with the estimated Y70 to Y90m.

By bringing the auction sys-tem to the Japanese art market, Mr Hirano hopes to pro-vide an alternative to the closed trading system controlled by dealers.

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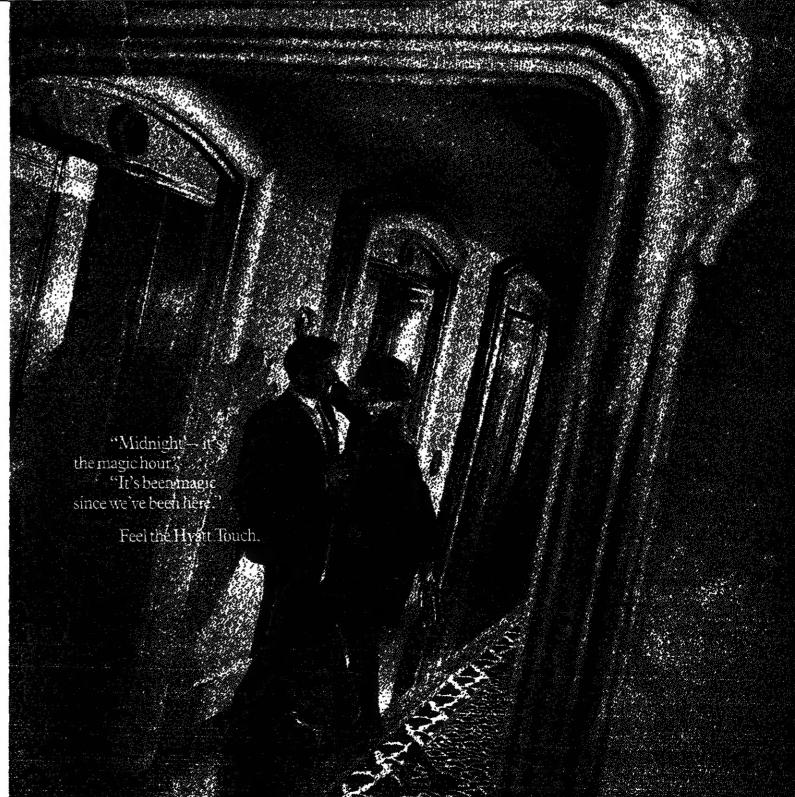
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## Computer users to EC ministers fall out over speed of monetary union software directive

By Alan Cane in London

EUROPE'S main computer users are joining forces in an attempt to influence the content of a controversial draft European Commission directive on computer software now working its way through the legislative machinery in Brus-

They believe that if the directive is passed in its present form, it will seriously damage the development of commercial data processing and have profound commercial con-

sequences for major users.

"To say the effect would be disastrous is not putting it too strongly." Mr R W Briggs, chairman of the newly formed Computer Users of Europe (CUE) association said yester-

day.
The CUE, whose 70 members include large computer users such as Barclays Bank, Galileo International, the European airline reservation system and DLR, the West German Aero-space Research Centre, aims to seek a consensus of opinion from companies across Europe and make representations to of the European Parliament.

of the European Parliament.

The draft directive, which has already divided the computer industry and caused a furore in Brussels, is designed to prevent software piracy which is costing software houses worldwide many millions of dollars every year.

It includes provisions, however, which effectively forbid "reverse engineering" – ana-

reverse engineering – analysing software to establish how it works – without the prior consent of the software

manufacturers.

Computer makers including ICL of the UK and Groupe Bull of France have complained that without the right to use reverse engineering, it would be impossible to build systems to coexist with those of International Business Machines (IBM) and Digital Equipment Corporation (DEC), the domi-

nant forces in the computer hardware business It would leave them, they argue, at the mercy of the larger manufacturers. IBM and DEC (and many software sup-pliers) are in favour of passing the directive as it stands.

The result has been one of the biggest rows Brussels has witnessed over an EC directive. To date, however, it has been the computer suppliers who have been making the running. Now. with the formation of CUE, users in Europe are seek-ing to make their views known. Computer users have to make extensive use of reverse engineering to ensure together and that software can be modified to run on their

Mr Briggs, head of data pro-cessing for East Sussex County Council in England, is also concerned that organisations which have been planning to move to industry standard "open systems" which allow machines and software from different manufacturers to be used together will be restricted by the provisions of the direc-

"It will take us back 10 years to the days of manufacturers" proprietary architectures," he said. It might also spell the end of third party maintenance, one of the fastest growing areas of the computing ser-

Open systems are widely seen as a way through which computer users can save money on hardware and protect their investment in soft-

The draft directive has been examined by the European Parliament and will shortly be revised in the light of its recommendations by a Commission working group. Industry experts opposed to the directive say the Parliament's suggested modifications do not go far enough.

## Two Germanys keep their spies on the job

By David Marsh in Bonn

still spying on each other, just three weeks before the two states are formally united. The West German foreign intelligence service, the Bundesnachrichtendienst (BND), still has agents sitting in East

German ministries, according to Mr Peter-Michael Diestel the East German Interior Min-He told the West German magazine Bunte that East Ger-

many still had "several" spies

in Bonn.

Mr Diestel appealed to the BND to end its espionage in the east, saying that if the West Germans wanted to find out anything about East Germany, all they had to do now was to ask.

Fresh evidence of East Germany's unabated espionage in the west came last week with the arrest of Mr Gerd Löffler, a deputy in the Hamburg state government, under suspicion of spying for East Germany betweeen 1974 and May this

The Byzantine web of internal and external spying by the East German security services has cast considerable shadows over the unity negotiations

EAST and West Germany are between East and West Ger-

As many as 500,000 East Germans are thought to have been informants for the country's all-pervasive security services, and no less than 68 deputies from the 400-strong East German parliament have been accused of working for the Security Ministry.

West Germany's BND is likely to carry out reorganisa-tion of its activities after unification. First signs of this came last week with the announce-ment in Bonn that Mr Konrad Porzner, a Social Democrat deputy, is to take over as BND chief from Mr Hans-Georg Wieck, the present head of the intelligence services, who has fallen out with the Kohl Gov-

Bonn officials, however, have no illusions that east-west espionage will continue to be a fact of life.

A recent report from the counter-intelligence services in the state of North Rhine-West-phalia revealed that economic espionage by Warsaw Pact states increased in 1989, although political spying was claimed to have fallen.

fight Commission Only four nations now support the Delors Plan timetable, report David Buchan and John Wyles

THE passengers on Europe's Monetary Union express have resumed, with a vengeance, their old argument about the speed of their journey - though, except in the case of Britain, not about their final speed of their journey -though, except in the case of Britain, not about their final

destination.
At this weekend's meeting of EC finance ministers in Rome, the hitherto broad unity of the 11 about a fairly rapid move to making institutional preparations for an eventual single currency fell apart. Their consensus held solid

on the final goal of monetary union. indeed it was Mr Karl Otto Pöhl, the Bundesbank president, who cautioned strongly against EC states let-ting their monetary ambitions run ahead of their economic convergence. He presented a report as chairman of the EC central bank governors committee that showed how far that body has already gone in designing their blueprint for fied house in order and the scheduled certainty of treaty negotiations starting this

As a result, only four countries - Italy, France, Belgium and Denmark - are still with Mr Jacques Delors, the European Commission president, in wanting a treaty commitment for a January 1 1993 move from the present European Mone-tary System of linked exchange rates (Stage One of the Delors plan) to setting up the ESCB which would gradually assume the monetary responsibilities of national central banks dur-

December to change Europe's monetary set-up have all prompted a new go-slow mood among some key EC

ing Stage Two of the plan.
At the other end of the spectrum, Mr John Major, the UK Chancellor of the Exchequer, was joined by his Greek and Portuguese colleagues this weekend in wanting no date at all set on this transition.

In the middle now is a go-slow group of countries, incorporating, most surprisingly, Spain. Its finance minister, Mr Carlos Solchaga, seized on the Major plan to develop a "hard" alternative to the existing Ecu basket currency which the markets could make the effecmarkets could make the effective common money of Europe, in order to argue for a Stage Two phase that would begin in 1994, with a single currency only coming in the year 2000.

The "full steam ahead" camp of France, Italy, Belgium and Denmark and the Commission were clearly angered by Mr

were clearly angered by Mr Solchaga using the hard Ecu plan, for which he had shown no previous enthusiasm, as a

pretext for a late and long Stage Two. Hoping that Prime Minister Felipe Gonzalez will eventually overrule his finance minister, they believe that the booming Spanish economy could easily survive in a monetary union without the aid that Ireland, Greece and Portugal

are beginning to clamour for.
This weekend's double-act of Mr Theo Waigel, the West German finance minister, and Mr Pöhl, in laying prime emphasis on closer economic convergence between EC states may herald a more serious setback to fast-track movement to monetary union. Tactically, it gave Mr Major, who called for time not only for EC economies to converge but also for governments to analyse better what they really meant by convergence, a badly-needed issue on which to make common cause

with the Germans.

Mr Pöhl said he could see sense in making the current

Ecu harder by progressively increasing its D-mark component. But promoting it as a parallel currency would only complicate moves to real monetary union. "Therefore the hard Ecu is only of interest to the commercial markets, not to monetary policy making," he

The real division that opened, or re-opened in Rome was not over the UK hard Ecu plan, or its Solchaga variant, but the old religious war between "economists" and "monetarists". The first camp, led by Garmany with the led by Germany with the Netherlands in train, is that monetary union cannot run monetary union cannot run ahead of the economic funda-mentals on inflation, public spending and the like — and if it does, it will break apart. The second and largely Latin group argues that set mone.

group argues that set mone-tary goals. dates and con-straints can force economies together. They point, as Mr

finance minister, did on Satur-day, to the dramatic superiority in economic performance of those countries inside the EMS exchange rate mechanism over those, like the UK, still outside

day's discussion, Mr Guido Carli, the veteran Italian finance minister, limited the damage to his camp by cutting off debate rather abruptly in the afternoon.

None the less architectural work on the final EMU con-struction is well under way, Mr Pohl said in his report. The possible sting for the politi-cians in all the work being cians in an the work being done by the central bank gov-ernors is that the latter want all the ESCB statutes—"not only the highly constitutional provisions, but also those of a more technical nature" - to be written into an EC treaty.

#### 'Palace coup' humiliates Dukakis

By Lionel Barber in

GOVERNOR Michael Dukakis. GOVERNOR Michael Dukakis, whose political fortunes have never recovered from his crushing defeat in the 1988 presidential election, has fallen victim to a palace coup in his home state of Massachusetts.

Mr Dukakis was on a trade mission to West Germany when Lieutenant Governor Evelyn Murphy seized power over the weekend, declaring that radical moves were required to solve the

the Murphy-Dukakis split fol-lows mounting concern over the economic recession in this over-whelmingly Democratic state – whose speciacular growth in the 1980s created the "Massariusetts Miracle" which provided the platform for Mr Dukakis to run

Ms Murphy, who is running to succeed Mr Dukakis in this year's gubernatorial election, seized power by invoking Massa-chusetts law which allows the Lieutenant Governor to assume the power of the Governor whenever the chief executive is out of the state.

Ms Murphy ordered cuts in pending and reductions in the state workforce, part of a detailed plan to address the state fiscal crisis. Mr Dukakis vowed to roll back the edicts when he returns home from his trade tour which was aimed at bringing jobs and investment to the state. Ms Murphy's break with Mr Dukakis – coupled with her aggressive action plan - is



Michael Dukalds: out of state, out of power

of the September 18 Democratic nor in Massachusetts and has forms of addiction.

primary when she faces a tough run against Mr John Silber, the cutspoken and politically unorthodox president of Boston University.

The palace coup amounts to a humiliation for Mr Dukakis who detailed chronicle of her battle county of the public of her battle of her battle of the battle of the battle of her battle

## World Bank criticises Hungary

A LEADING World Bank official has reproached the Hungarian Government for its hesitant approach to the stabilisation and restructuring of 191. The debate is all the more than a stimuted the stabilisation and restructuring of 191. The debate is all the more

the country's economy.

"There is little to be gained from prolonging the agony and one should rather look at the possibilities of moving as radi-cally as possible," said Mr Willi Wapenhans, the bank's vice-president responsible for visit to Hungary by a high-level World Bank delega-

The World Bank has put its weight on the side of austerity absence of domestic capital

and allow restructuring of industry without compromising the austerity programme, Mr Wapenhans said. He faulted the Government for its sensitivity to accusa-

intense given the estimated Ft100bn (\$1.6bn) cost to the budget of recent oil price rises, tions that state assets were being sold off at giveaway drought and the collapse of trade within Comecon, the East European trade bloc. Aiready the budget deficit threatens to miss the Ftl0bn target for 1990 imposed by the International Monetary Fund.

"Not wanting to sacrifice political support," he said, some officials were "exces-sively concerned" about reduc-ing the price of state assets low enough to attract foreign investors. If it is the govern-ment will be severely criticised. If it is not the foreign investment will not come."

## Violence in Soweto leaves 26 dead

TWENTY-SIX people died during violence over the week-end in the black township of Soweto. Half of those killed Soweto. Half of those killed died during a rampage by a gang including whites with blackened faces, witnesses said yesterday. Reuter reports from Johannesburg.

Elsewhere, nine people died in fighting rooted in the bitter rivalry between Mr. Nelson Mandele's African National

Mandela's African National Congress (ANC) and support-ers of the Zulu-based Inkatha Freedom Party, taking South Africa's weekend death toll to 35, police said.

The scene of the worst vio-lence was at Soweto's Tladi shack settlement, where about 100 unidentified attackers, Including whites with black-ened faces, rampaged on Satur-day night, attacking occupants and smashing houses apart, witnesses said.

They said gun-toting whites aiding the attack were given away by their blue eyes and umblackened hands. The incident will fuel ANC charges that right-wing extremists are responsible for instigating the

month-long fighting around Johannesburg which has claimed more than 600 lives. ANC officials say security forces and white right-wing members are joining support-ers of inkatha to fan the vio-

A police spokesman said 13 bodies were found shot, stabbed or backed to death after the Tladi attack. Security forces fired shotguns, tear gas and rubber bullets at stone throwing youths after moving in to keep peace in the area, he

About 50 people were wounded in the overnight fighting and taken to hospital for treatment, witnesses said.

Police said details of unrest in Natal, traditional breeding ground of the violence, would no longer be given to protect the province's tourist industry. Four people were stabled to death when their minibus was ambushed at Vosloorus town-ship east of Johannesburg.

Three people were thrown from a speeding commuter train in Soweto by unknown assailants and were slightly

injured.

Meanwhile, leaders from 14
African countries accused the
South African police of encouraging inter-black violence,
after being briefed on the
weekend by Mr Mandela.

In a statement issued by a
committee of the Organisation
of African Unity (OAU), meeting in the Ugandan capital,
they said the township vio-

they said the township violence would harm the struggle against apartheid if it was allowed to continue.

The ANC has argued that the security forces and white right wing members have joined supporters of its bitter rival, the Zulu-based Inkatha Freedom Party, to fan the violence in an attempt to end talks between the ANC and the Government on ending apart-

The Government and police deny the charges.

Mr Mandels and Mr Johnson Mlambo, the Pan Africanist Congress (PAC) chairman briefed the meeting on the situation in South Africa.

The meeting, chaired Presi-Uganda, the current chairman of the OAU, was attended by Kaunda, Ethiopian President Mengistu Haile Mariam and Namibian Prime Minister Hage

#### WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US\$m)

France	25,469	25,542	22,901	23,797
	May.'90	Apr. '90	Mar. '90	May.'89
Netherlands	15,642	15,875	15,601	14,256
Belgium	10,809	9,908	9,835	8,618
Italy	61,489	55,932	50,548	37,345
UK	31,589	31,066	31,190	34,494
W. Germany	58,871	58,085	56,981	51,108
Japan	66,499	66,694	66,183	82,855
US	47,294	46,803	45,433	31,517
	Jun. '90	May. '90	Apr. '90	Jun. '89

#### Mexico, US to start free trade talks

By Alan Robinson in Mexico City

THE momentum to create a web of free trade zones across North America has intensified with President Carlos Salinas de Gortari of Mexico formally asking the US to start negotiations on a bilateral

Mr Herminio Blanco, the Commerce Ministry under-sec-retary, was named chief negotiator for the accord and hastily dispatched to Washington last week, where he is now meeting US trade officials. Although the talks have no official status without US congressional approval, informal discussions have been going on regularly since last February. The initial talks are expected

to deal with steel, textiles and financial services, according to Mr Elmo Alanis Gomez, presi-dent of the National Foreign Trade Council. He expects a Trade Council. He expects a framework agreement to be in place by May 1991 and a final agreement to be signed "in about two years". This is a considerable reduction from the initial estimates, which ranged from three to five

Mr Salinas defended the pro-posed trade pact during a weekend visit to the northern state of Tampaulipas, scorning "those who raise worried voices or oppose a free trade agreement with the US." Such a pact, he said, will only strengthen the economy, generate jobs so that Mexicans

and most powerful economic zone in the world." Private sector analysts say Mr Salinas sees the pact as the means of boosting Mexico's flagging exports and attracting more foreign investment. Mr Alanis Gomez estimates that the 1990 trade deficit will be in the region of \$2.5bn (£1.28bn). He believes that if the situation continues unchanged, "there could be cash-flow prob-lems in 1991 that could put the

for work, and create the largest

Mr Salinas is also anxious to give Mexicans the impression that better times are ahead before the mid-term elections in the summer of 1991. The news also led to renewed calls from the private sector for some degree of privatisation in oil exploration and

country's development in cri-

## Europe's motor components makers braced for Japanese onslaught

The EC is likely to follow the US, where Japan's automotive suppliers have made big inroads, writes John Griffiths

WHEN western Europe's motor industry considers the future these days, attention centres less on the promise and oppor-tunities of the coming single market than on the growing threat it perceives from Japa-nese competition – from inside as well as outside the European Community. European producers are lob-

bying the Commission hard to get Japan to agree to a period of voluntary restraint of both direct imports and vehicles assembled at EC "transplants" belonging to companies including Nissan, Toyota and Honda. The Europeans fear that if Japanese carmakers are they will rapidly increase their EC market share from roughly 10 per cent today to 20 per cent or more in a few years' time. However, while the political debate has so far turned largely on sales of assembled Japanese vehicles, another challenge is quietly building up in the form of EC expansion

by Japanese automotive com-ponent makers.

Though less publicised than the arrival of the "trans-plants", this development could have equally important competitive position of Europe's motor industry.

Apart from straightforward sales companies, nearly 50 Jap-



anese component operations have already sprung up around Europe. So far, only a handful are doing their own manufactur-ing. More than 30 are involved in some form of technical collab-oration or joint venture with

Many have followed on the heels of the "transplants", which are expected to produce about 1m vehicles a year by the end of the decade. That compares with total western
European production of about
13m units last year.
With an eye to local political
and industrial sensitivities,
Toyota, Nissan, Honda and other

Japanese car manufacturers insist publicly that they do not

None the less, judging by the experience in North America, where about 300 Japanese com-ponents ventures have been established in the past few years, the number of such operations in Europe is likely to continue to increase. For European components

makers, the development poses difficult questions. Will the Japanese be a positive influence, helping to strengthen the still highly-fragmented European industry by collaborating with and transferring technology to local partners?

Or will the Japanese emerge as "enemies within", by first making European suppliers dependent on their technology, and them only on not just to

dependent on their technology, and then going on not just to supply local Japanese "transplants" but to wrest an ever larger share of business from European-owned car and truck makers? These issues are thrown into still sharper relief by recent changes in structure. thrown into still sharper reher by recent changes in structure of the vehicle industry. Increasingly, vehicle makers regard themselves primarily as assemblers of complex compo-nent systems produced by external suppliers with which they collaborate closely on development.

As a result, the assemblers are growing ever more depen-dent on the value-added contributed by components groups

with strong in-house research and development capabilities and highly efficient production

Foreign investment was being drawn in at a rate insuf-

It is thus easy to understand why European component makers are disturbed by the influx of Japanese rivals, renowned for their high quality standards, manufacturing efficiency and closely interlocking shareholdings and other long-term ties with Japanese vehicle makers.

Much of the Buropean components industry, which is still struggling to complete a restricturing process beautiful.

restructuring process begun in the 1980s, is facing both ways on the issue. Many components makers, such as the large French Valeo group, publicly adopt a hostile stance towards the Japanese.

Mr Noël Goutard, Valeo's chairman, talks of the danger of a Japanese "takeover" and

of a Japanese "takeover" and last year the company purchased Blackstone, a US producer of cooling and air conditioning systems, mainly to keep it out of Japanese hands. Yet, in practice, Valeo has also been obliged to acknowledge that "if you can't beat 'em, join 'em". It has set up a Spanish-based joint venture with Nippondenso, Japan's largest components maker, to largest components maker, to produce electronic ignition parts. Each partner has sepa-rate customers for the plant's

output, and each expects to benefit from economies of scale. Valeo also hopes to learn more about the detailed management systems through which Japanese production efficiencies are achieved.

However, the French company says it is determined not to allow its commercial independence to be eroded by increased reliace on its Japanese partners technology. nese partner's technology.

It is less clear that the same can be said of another venture amounced last month between

amounced last month between Nippondenso and Magneti Marelli of Italy, the components subsidiary of Flat — also a fiarce public critic of the Japanese.

The two companies are setting up a £55m plant at Telford in Britain to produce vehicle air-conditioning and heating systems. Air-conditioning systems in particular are complex, expensive — and regarded as one of the really regarded as one of the really high value growth areas for European vehicles in the com-ing decade.

Magneti's stake in the venture is, however, only 25 per cent against Nippondenso's 75 per cent. There was not even a senior Magneti representative present at the announcement of the venture and Nippon-denso executives made clear that the bulk of the technology for the venture would come



Japanese takeover

Nippondenso also said it had chosen a joint venture because it was likely to be "less controversial" than setting up a greenfield site on its own.

Magneti, like Valeo, Lucas Industries of the UK and some other leaders of the European industry is fully aways of the industry, is fully aware of the scale of the potential Japanese threat. To date, the main difference between the European companies is their degree of confidence in being able to deal with it.

The larger European compo-

Noel Goutard: danger of

nents groups have all made determined efforts to adapt their operations. They have established foreign manufac-

turing, research and develop-ment and other facilities to keep pace with a vehicle indus-try which is rapidly globalising and wants its major suppliers close to their assembly plants, wherever they may be located. European groups also made many acquisitions in the 1980s, many acquisitions in the 1980s, in the belief that the lion's share of components business in future will go to a small number of large "first tier" suppliers. These suppliers, the rationale goes, will work in continuing partnership with vehicle makers, rather than in the ad hoc adversarial manner of the past. Their reward for the heavy investments required is more profitable, long-term, contracts.

required is more profitable, long-term, contracts.

But it remains to be seen whether they will succeed in strengthening their operations sufficiently to be able to collaborate with the Japanese on their own terms, rather than as junior partners. At present, Robert Bosch of West Germany is probably the only European components group possessing the broad-based technology, resources and global presence needed to address that challenge with confidence.

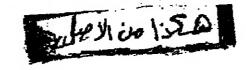
For the thousands of smaller components suppliers scattered

components suppliers scattered components suppliers scattered around Europe, whose ranks are already in sharp decline, prospects look bleaker still. Much of the industry is subscale and faces further rationalisation. A further shake-out among European vehicle makers also cannot be ruled out.

Japanese companies such as Japanese companies such as Toyota and Honda say they believe European-owned component suppliers can meet many of the needs of their European "transplants", and the record of Nissan's UK plant to date has borne this out. But few in the industry are convinced that this will hold good indefinitely.

Pessimists see a disturbing precedent in North America. Many Japanese component operations there are whollyowned greenfield ventures, which have begun to cut into their US competitors' traditional markets. And among the roughly one-third which were set up as joint ventures, the Japanese are increasingly buy-

Japanese are increasingly buying out their US partners.
Japanese component suppliers insist it will be harder to
make profits in Europe than in
the US because the market is
much more fragmented. Hence,
they argue, they have less
incentive to set up there.
Sceptics respond by recalling
Japanese industry's famous
long-term view and argue that
its encroachment in Europe its encroachment in Europe will simply be more subtle and take longer. It is a scenario in which 1992 is almost totally



FINANCIAL TIMES MONDAY SEPTEMBER 10 1990

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#### **UK NEWS**

#### Rising pound could hurt coal industry

By David Thomas, Resources Editor

BRITISH COAL may have to pay the privatised electricity industry millions of pounds in rebates because it failed to predict the upsurge in the value of the pound.

Provisions for rebates linked to the exchange rate are contained in hitherto undisclosed clauses of the three-year coal supply contract between state-owned British Coal and the electricity industry.

The contract, negotiated last autumn under government supervision, will be one of the most important factors determining the fortunes of the elec-

tricity industry during its early years in the private sector. On British Coal's initiative, the contract contains clauses which provide for rebates if the value of the pound passes outside a range from \$1.40-\$1.75.

As from this month, if the

As from this month, if the average value of the pound is above \$1.75 for three months, then British Coal must pay the electricity industry a rebate. Conversely, the electricity industry will owe British Coal extra money if the pound's three month average value falls below \$1.40. falls below \$1.40.

This is because movements

in the exchange rate sharply affect the price of coal on world markets when translated

A 30c appreciation in the

value of the pound, for example, reduces the competitiveness of British coal by about £10 a tonne — almost a quarter

of its present price.

British Coal proposed this exchange rate clause because it wanted to avoid having to renegotiate the coal contract following sharp exchange rate

Last autumn, British Coal also reckoned that the pound was more likely to collapse than to appreciate. Unfortunately for the com-

pany, the Gulf crisis and specu-lation over Britain's entry into the Exchange Rate Mechanism of the European Monetary Sys-tem have buoyed the pound. It has been trading for more than \$1.75, the trigger point in the coal contract, since June

Electricity industry insiders say they are in line for rebates running into tens of millions of pounds a year. British Coal says this estimate is greatly

Technically, the rebates will go to National Power and Pow-erGen, the two generating companies which signed the coal

But they are obliged by separate arrangements to pass the rebates straight through to their customers, the 12 regional electricity companies.

## Prospects for British Rail privatisation fade away

yesterday refused to comment on the leaked document, but said BR's financial prospects meant it could not be ready for

privatisation "for some years.

"A lot more work is required before firm views can be reached either on whether the

railways can be privatised or on the form in which this might be done," the depart-

ment said. Given the complexity of the

necessary enabling legislation and the time it would take to

pass through Parliament, this

appears to rule out BR as a whole being privatised before the end of the century.

By Richard Tomkins, Transport Correspondent

PROSPECTS for the wholesale privatisation of British Rail receded into the far distance yesterday as the Department of Transport acknowledged that

BR's financial performance ruled out a flotation in the foreseeable future.

But the way appears to have been left clear in the medium term for a possible sell-off of the control of the one or two profitable sections such as InterCity and the bulk freight operation.

It had been widely thought that BR, under its new chair-man, Sir Bob Reid, who takes over full-time next month, had been chosen by Mr Cecil Par-kinson, the Transport Secretary, for privatisation after the next general election.

The Transport Department's confirmation of the setback follows the leaking to Mr John Prescott, Shadow Transport Secretary, of a briefing note for an all-day meeting of transport ministers and officials today to discuss BR's future.

The paper, put up by a senior Transport Department official, says BR's privatisation is a desirable objective, but concludes that the railway's financial outlook is not good enough to allow privatisation of the complete network in the lifetime of the next parliament

The discussion paper for today's meeting explores other The Transport Department

options which could lead to a partial privatisation of the sys-

one is to press ahead with existing plans to split it into a series of independent husinesses such as InterCity, Network SouthEast, Provincial and Railfreight, each with its own staff, track and rolling stock

Under this system, when one business needed to use another's staff or tracks, it would pay a fee. The paper says an independent regulator would be needed to make sure fees were fair.

InterCity, bulk freight and the European passenger operations should all be viable by the mid-1990s and could be the first candidates for a

sell-off. sell-off.

A second option, described
in the paper as "very interesting" because it has received far
less study, is to invite the private sector to take equity stakes in certain operations for example, the West Coast main line between London Euston and the north.

This idea, which has the benefit of not requiring legislation, has a precedent with the setting-up of the Charterail freight venture with GKN, the engineering group, earlier this



Mr Alain Simon, secretary general of the IMO, insists that the money, most of it collected in the Soviet Union during the 1984-85 UK pits strike, was intended for miners throughout the world. He has been backed in public by Mr Scar-gill, who is also IMO president. However, some of the four NUM executive members lead-ing the union's fight for the money left a meeting with Mr Scargill last Monday with the

impression that he was ready to reverse his stance, opening up the possibility of a rift between him and Mr Simon. Mr Scargill and Mr Peter Heathfield, NUM secretary, tive members in their talks with Mr Simon at the IMO's Paris headquarters.

Scargill to settle the increasingly bitter row over the Soviet ected during the strike.

Miners from a breakaway

Soviet coal union last week gave evidence to Scotland Yard's fraud squad about the money collected in the USSR. Mr Scargill is also facing prosecution under charges laid by the Trade Union Certification Officer, a government-appointed watchdog, who alleges that the union has failed to keep proper accounts.

keep proper accounts.

This follows the report by Mr Gavin Lightman, QC, into the union's finances which accused Mr Scargill and Mr Heathfield of a breach of duty over their handling of funds during and

after the strike.

Mr Kevin Barron, an MP and
a non-voting member of the
NUM executive, said yesterday there were discrepancies between Mr Scargill's state-ments on when the Soviet money was paid into the IMOcontrolled accounts and evi-dence disclosed in a report by Cork Gully, the accountancy firm. The Cork Gully report was ordered by the NUM following the four-man team's recent fact-finding trip around

Europe. Should the IMO and NUM of the money, it is likely that some union executive members will want to revive recently



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## THE NEW FACE **BRITISH** BROADCASTING

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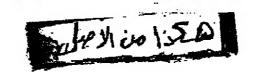
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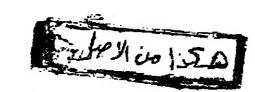
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**FINANCIAL TIMES** 





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## Welsh grocers bar Unit trust French produce over lamb war

FEARS that the lamb war between the French and the British might spread beyond the farming sector increased yesterday when shopkeepers in Wales rallied to help local farmers by boycotting French produce

About 70 grocers across Wales are refusing to stock French cheese, apples, vegeta-bles, bottled water and wine. Farming union officials expected many more to join the growing protest this week.

after the series of attacks and hijacks in France in which hundreds of Welsh sheep have been slaughtered. Since August 23 there have been 12 hijacks of British live-

stock carriers in France. In Bressuire, western France, French prosecutors have opened an investigation on charges of damage to property and armed violence against three farmers sus-pected of taking part in an

attack on a British lorry in which 219 sheep were burnt

The complaints were filed by the abattoir for whom the sheep were destined and by the French animal protection soci-

Meanwhile, North Wales farmers have suspended demands for a ports blockade against meat imports in the run-up to a meeting with Mr John Gummer, Minister of Agriculture, in just over a meet's time week's time.

We will be trying to get some kind of support for farmers who are losing money," said Mr Cyril Lewis, a Welsh sheep farmer who chaired a protest meeting of around 600 north Wales farmers last week. "There is a very great expec-tation from the meeting with Mr Gummer because after that we will not be able to keep

## **Business optimism** falls, IoD reports

By Terry Byland

BUSINESS confidence among Britain's company directors has fallen sharply, according to an Institute of Directors survey of members' opinions since the onset of the Gulf crisis.

Nearly three quarters (73 per cent) of the UK company direc-tors surveyed were less optimistic about the UK economy than they were six months ago. and 56 per cent were less opti-mistic about prospects for their own companies – increases of 27 and 22 percentage points respectively since the previous survey in June.

The survey was carried out in the first week after Iraq's invasion of Kuwait and there-fore reflects the Gulf crisis and the impact of higher oil prices. Nevertheless, more than half (58 per cent) of the 1,000 UK directors questioned said their companies would be increasing investment over the next six

Insufficient demand was pinpointed by half the directors in the sample as their chief busi-

MR Malcolm Rifkind, Scottish

Secretary, yesterday under-lined his satisfaction with the

switch of Mr Michael Forsyth from the chairmanship of the Conservative Party in Scotland to a post in the Scottish Office.

Suggestions continued to cir-culate that Mr Rifkind was dis-

appointed that Mr Forsyth had

not been removed from the

Scottish Office, along with counter-suggestions that Mrs Thatcher had done exactly what Mr Rifkind had proposed

to her. Mr Rifkind is known to

have poor personal relations with Mr Forsyth. Mrs Thatcher dismissed Mr

Forsyth, a right-winger, as party chairman in Scotland 14 months after appointing him,

in an attempt to end the feud-ing that has riven the party. She also promoted Mr For-

syth from parliamentary

under-secretary to the rank of

Mr Rifkind said on BBC Radio 4 that the Prime Minis-

ter had acted because of con-

cern among Tory voluntary organisations in Scotland that

minister of state.

By James Buxton, Scottish Correspondent

ness concern. A clear majority (59 per cent) claimed that their companies' volume of business had either remained static or fallen, and 64 per cent believed that profits were on the same

Dr Ann Robinson, head of the institute's policy unit, said that concern over insufficient demand demonstrated that high domestic interest rates were cooling off a "previously overheated UK economy." She believed however, that the steady levels of investment plans reported in the survey

indicated that the UK economy was still some way off a reces-"The interest-rate cuts we would like to have seen in the near future . . may now have to wait a little longer,"

Any substantial cut in domestic interest rates in the near term would adversely affect sterling and could thus "undermine a significant anti-inflationary force."

Rifkind endorses removal of

Forsyth from Tory Party post

Malcolm Rifkind: said to

have engineered the switch

their relationship with the Tory central office, presided over by Mr Forsyth, was "not

as close and intimate as it

must be in order to make the

With Lord Sanderson, until last week a Scottish Office

minister, serving as the new party chairman, the voluntary organisations, central office

China Jiangsu Trade Fair

China Jiangsu Provincial Commission of Foreign Economic Relations and Trade will lead its 12 import and export (group)

corporations to hold the "China Jiangsu Export Commodities

Trade Fair" in Barbican from September 24 to 29, 1990.

silk and silk products / wool and cotton knitwears / home-

metals and minerals products / chemicals / medicines and

health products / machinery, and other export commodities.

Businessmen from Britain and other European countries are

warmly welcome to visit the Fair to have business discussion

textiles / garments / light industrial products / arts and crafts / ceramics / native produce / animal by-products /

The commodities to be displayed include:

中國江蘇省出口商品展銷會

Ceremoniously Opened in London

maximum political impact."

## manager bans soft commission

PHILLIPS & DREW Fund Management has taken a stand against the use of soft commissions in what is thought to be the first public statement by a leading investment institution

against the practice.
Soft commission arrangements involve brokers in refunding part of their com-missions to fund managers by paying for information or other services that help the fund managers to operate

more effectively. Critics claim that the practice harms fund managers' cli-ents, since it ties the invest-ment institutions to particular brokers and so could under-mine their independence. The fund managers could be encouraged to deal more than is necessary in order to generate the required level of "soft

ate the required level of "soft commissions".

Mr Paul Meredith, chairman of PDFM, said soft commissions "are likely to distort the efficient running of the market, and hide the true cost to the consumer." PDFM had seldom used such arrangements in the past, and had now decided to ban them, he added.

Other investment firms are known to disapprove of soft

known to disapprove of soft commissions, although none has taken a public stance. They include Standard Life and Scottish Equitable, while Prudential is also known to have steered clear of the prac-

tice in the past.

The Securities and Investments Board ruled recently that soft commissions were acceptable, but required their existence to be disclosed to fund managers' clients. In spite of PDFM's stance, its sis-ter company, UBS Phillips & Drew, is one of the most aggressive brokers in the soft commission price war that is currently raging in the City.

Led by Warburg, some brokers now refund as much as

five sixths of commissions they receive, leaving little to remunerate the brokers. That cut-throat practice has given a

cut-throat practice has given a further turn of the screw to the already struggling stock-broking business.

Mr Hector Sants, head of equities at UBS-P&D, said yesterday: "We would rather soft commissions didn't exist, but gives they do we are prepared." since they do, we are prepared to be competitive to win busi-

and Scottish Office ministers

would now work in close har-mony, Mr Rifkind said.

In what could be seen as a criticism of Mr Forsyth's chair-manship, Mr Rifkind said: "Central Office should never

be seen as anyone's power base. It has clearly to speak for

and represent all points of view in the party. Central Office has always been seen as

organisational, there to sup-

port all Conservatives."

Mr Rifkind said he had no

Mr Rifkind said he had no desire to disagree with those people who believed he had engineered the entire change. According to that theory, Mr Forsyth had to be persuaded to stay at the Scottish Office rather than resign from the Covernment altographer.

Government altogether.
Political observers noted yesterday that if Mrs Thatcher had moved Mr Forsyth from the Scottish Office it would have raised the necessity of filling his recition from the

filling his position from the remaining six Scottish back-bench Tory MPs, while to bring in an English MP would have created even more difficulties.

## Council tenants to vote on whether HAT goes ahead

Alan Pike says Housing Action Trusts are at stake

ENANTS on two south London council estates today begin a ballot that is crucial to the future credibil-

ity of the Government's Hous-ing Action Trust policy. HATs, announced in the 1987 Conservative election maniinner-city estates by taking them out of local authority control and setting up busi-nesslike trusts to undertake radical improvement programmes. So far, however, every

attempt to persuade tenants to agree to HATs has failed. If this week's ballot on the Gloucester Grove and North Peckham estates in Southwark goes against the trust, doubts about the continuation of the whole policy will be intensi-

The Government has given the London tenants extensive undertakings about their futures if they approve the trust proposal. Some HAT supporters believe they have obtained a virtual blank cheque from ministers anxious to save a policy intended to revive troubled inner-city estates in a way that would remove them from the control of mainly Labour-controlled

Mr Michael Spicer, Housing Minister, has told the Peckham tenants in writing that the Government is "willing to make available whatever resources are needed" to make the HAT a success. He acknowledges that that would require a "very substantial amount of money" — £112m at 1988 prices, according to a con-

The Government has assured the tenants that they will be free to choose their future landlords when the HAT's renovation work is complete in five to eight years' time. It has

even added an undertaking that, if they want to return to Southwark Council, the Gov-ernment will allow the local authority funds to buy back the estates

In spite of such apparently generous pledges, there is no certainty that the tenants will vote for the HAT. The estates abound with sar-castic jokes about Conserva-

tive hat-tricks and advocates of the HAT being as mad as hat-No one in Southwark dis-putes the need for heavy investment in the prematurely derelict Gloucester Grove and

North Peckham flats. Completed only in the 1970s to provide more than 1,700 homes, their dismal corridors and walkways today make the states among the most crime-

criden in London.

Crime is far from the only drawback – tenants complain equally of more mundane issues, headed by uncollected rubbish and grossly inadequate maintenance. Labour-controlled South-

wark Council has recently spent £6m on the estates and plans to start a further £8m worth of improvements in Jan-uary. In spite of the bait of the HAT having much bigger resources, the council is urging tenants to vote against the

The estates are within two miles of Westminster and Ms Sally Keeble, Southwark Council's leader, believes the HAT would lead to renovated properties being priced out of the reach of existing occupants. "Adequate housing for people of modest incomes can survive in London only if estates like these remain in local authority control, and councils are given adequate resources to renovate and maintain them."

Anger over the council's management of the estates and its alleged lack of responsiveness to tenants' wishes is a big factor in the HAT election campaign. Even Southwark councillors admit that their housing department is far from the most popular in Lon-don; the council is trying to change that image by decen-tralising services under a new director.

In spite of the inadequacy of existing services, some mem-bers of the tenants' association committees on the estates sup-port the council campaign

"Many people in these flats earn less than £100 per week," says Ms Jean Huby. "They know poverty and many have known homelessness. It would be reckless of them to give up the relative security of a country." cil tenancy for the uncertain-

ties of the HAT."

Ms Sandy Cameron, one of the leading advocates of the HAT is, like most of her neigh-bours, a Labour voter. She favours the trust not out of political sympathy for the Government but because she believes it will revive the

She and other supporters she and other supporters have put remarkable effort into developing the HAT proposals, culminating in the production of a telephone directory-sized consultation document. It emphasises that the HAT must generate social and economic change as well as housing improvements, an argument the Government has accepted.

"Opponents say that since the HAT funding will come in instalments there is no guarantee that it will all be spent," says Ms Cameron. "We have learned a lot while working on the HAT proposals and are cer-tainly ready to fight the Gov-ernment if they let us down."



Louise Bootle, who is campaigning against the HAT proposal, outside her flat on the Gloucester Grove estate with her mother and her children Lauren and Dane

If the vote favours the HAT. many tenants will be temporarily decanted during massive reconstruction work. A "no" vote, on the other hand, may not be the end of the

Southwark councillors hope that, having identified the scale of the estates' ills and the high cost of overcoming them, the Government will allow the

improvements if the HAT is

rejected.

The tenants, meanwhile, have gained greatly in experience and confidence during their campaigns for or against the HAT. They are determined that, whether their future landlord is the council or the trust, they are going to have more control over the management the case in the past.

## Siebe will rationalise US acquisition

By Charles Leadbeater, Industrial Editor

Call to develop Green

Belt areas for housing

SIRBE, the British-based instruments and controls manufacturer, is today expected to announce plans for a sweeping rationalisation at Foxboro, the US process control supplier it

acquired in July.

The rationalisation might involve up to 600 redundancies at Foxboro's US and UK operations. UK manufacturing activities may also be affected.

Explore's UK beadquarters

Foxboro's UK headquarters, on a 50-acre site at Redhill in Surrey, is likely to be one of

NEW HOUSING development should be allowed in Green

Belt areas and on Ministry of Defence land, according to a report published today by the Centre for Policy Studies.

The report says that the Government's willingness to

give in to people whose atti-tude to new development is "Not in my back yard" (so-called "Nimbys") has dis-

torted the housing market, worsened inflation, homeless-

ness and debt, and diverted

resources from the areas that most need them.

The report, written by Mr Richard Ehrman, a former spe-cial adviser to the Department

of Employment, recommends greater liberalisation of planning laws, combined

with greater compensation for

those who are adversely affected. The price of land has been forced up by restrictions on development, it

ays.
The think-tank recommends

several measures to ease pres-sures on the housing market.

New villages and small towns, rather than "soulless" estates, should be encouraged

by the Government, particu-

erty market, the site's closure might create a potentially valuable opportunity for redevelop-

Most of the redundancies are expected at the main US plant at Foxboro, south of Boston, Massachusetts. The rationalisation is aimed

at raising Foxboro's profit mar-gins from about 4 per cent to close to the 10 per cent level within the rest of the Siebe

group.

The plans are likely to be welcomed in the City as evispite of the decline in the prop- to exert tight management con-

covers an area the size of Cheshire or Nottinghamshire,

should be made available for new development.

Building should be allowed in Green Belts, on areas of "brown" land, which are dere-lict, polluted and in need of

Only one new village out of 170 current proposals has won local approval, a record which the report finds disap-pointing

The report also segments are package of measures to ease resistance to new development, including more compensation.

resistance to new development, including more compensation. People who wanted to move away from a new development would receive up to 30 per cent more than the previous value of their homes, with similar compensation going to those who preferred to

those who preferred to stay.

"Nimbyism" would also be countered by improving the quality and design of new developments. Competitions would be held in the counties to find the best designs and the proceeds would go to the local residents affected.

Nimbyism: the disease and the cure. By Richard Eleman. Centre for Policy Studies, 8

The report also sugge

mation.

trol over Foxboro. Some analysts have voiced concerns that the \$656m acquisition, worth £369m at the time, would stretch Siebe's management and finances,

The deal, financed entirely by bank borrowing, pushed Siebe's gearing up from 32 per cent to 105 per cent at a time when most companies are attempting to reduce their debts to lessen their exposure to high interest

Mr Barrie Stephens, Siebe's on the progress of plans for a groups.

RETAILERS appear confident of their ability to force banks to

accept a new charging struc-

ture in the 1990s for consumer

payments through plastic

cards, according to a study from the Institute for Retail Studies at the University of

The report's author, Mr Steve

Worthington, says retailers have become increasingly skilled at negotiating lower ser-vice charges to the banks on

credit card transactions.

Stirling.

flotation of about a quarter of its US activities to raise about £200m to reduce borrow ings.
The Foxboro plan follows

familiar pattern for Siebe's US acquisitions.

Before the Foxboro deal, Siebe spent about \$890m in four years to acquire three US controls companies, Robertshaw, Ranco and Barber Cole-

Siebe's acquisitions have turned it into one of the fastchairman, may also shed light tionalised of UK engineering

> mark and retailers believe that the charge will go below 1 per

> cent as soon as 1992 - even

though banks and other finan-

cial institutions claim that that

will ultimately be able to get the banks to accept a fixed flat transaction fee along the lines already introduced for debit

cards such as Barclays Con-

The Future for Plastic Cards

Many retailers believe they

is impossible.

#### N-stations' shutdown to be assessed

By David Green

NUCLEAR ELECTRIC, the state-owned nuclear power company, is to be required to provide the Department of Energy with regular assess-ments of the estimated costs of decommissioning plants.

Uncertainty surrounding those costs was mainly respon-sible for the withdrawal of privatisation after the City gave a warning that investors would not be interested in purchasing the industry unless the Government accepted most of the financial risks in-

volved.

The Government said it had not been kept informed about the possible costs of the work. Mr John Wakeham, Energy Secretary, has accepted a re-commendation by Mr Michael Barnes, QC, the inspector who conducted the Hinkley Point C nuclear power station inquiry. that up-to-date estimates of decommissioning costs should be provided in future. Mr Barnes has suggested

that three-yearly assessments should be provided but Mr Wakeham is also to discuss the frequency with Nuclear Elec-tric. He agrees, however, that the estimates should be pub-

planning permission for Hink-ley Point C but has withheld consent for the necessary investment until after a government review of nuclear economics in 1994.

page report that foreign estimates of decommissioning costs vary substantially and cannot be viewed as reli-

He says there has been inadequate provision in the UK to meet such costs and Nuclear Electric should in the future provide details of how the

The company said the expense would be less than 1 per cent of a station's total lifetime costs.

#### and Payments Systems. Institute for Retail Studies, University of Stirling. 250. The charge has already dropped below the 2 per cent Lambeth poll tax action

Retailers seen as hopeful

for cut in card charges

THE Government is to take legal action against the London Borough of Lambeth, the only remaining council whose new poll tax has still not been accepted after a cap was put on its budget, writes John Auth-

The case should provide the final test on the extent of the Government's power to deter-mine a council's level of poll

of poll tax that councils can

The case concerns the level

Lambeth's poll tax to be cut from 2548 to 2496, but Lambeth set a charge £25 higher. Mr Herman Ouseley, Lam-

beth's chief executive, said in a letter to the Department of the Environment that he remained convinced his council had

The law only prevents councils from altering their assumption on non-payment if they use information that was not available at the time the Set. original charge was set, he said.

## Commission proposes review of citizens' rights

By Alan Pike, Social Affairs Correspondent

larly in the south-east.

■ Land owned by the Ministry of Defence, which currently

Centre for Policy Studies, 8

Wilfred Street, London SW1

E6PL £4.95 including p&p.

THE LEGAL rights, duties and entitlements of British citizens should be reviewed and codi-fied, an all-party Commission on Citizenship recommends to the Government today.

the Government today.

The purpose of the commission's two-year study, set up under the patronage of Mr Bernard Weatherill, Speaker of the House of Commons, was to examine the meaning of citizenship in the 1990s. It particularly recommends a re-examination of the law as it relates to the citizen.

Voluntary activity was one of the areas studied. Its work has already generated a practi-cal initiative — the launch earher this year of the Volunteers scheme, supported by the

Prince of Wales, which enables young people to carry out community work as part of their personal development.

The commission proposes In its report to be published

In its report to be published tomorrow, the commission argues that equality is the fundamental principle of citizenship, and not the principles of competition and choice in the market.

In addition to a codification of the law, the commission suggests that there should be a comprehensive citizens' advice service including a "national advocacy scheme for disadvan-

advocaty scheme for disadvan-taged groups who cannot claim their own entitlements." It says that, for example, the complexity of the benefits sys-tem is "quite unacceptable"

The commission proposes that the study and experience of citizenship should form part of every young person's educa-tion. Citizens who are not taught their rights would find it difficult to know where they stood in the law, whether to claim social entitlement or

claim social entitiement or how to participate in public and lay bodies.

All big enterprises should consider making policies on community involvement and there should be proper support for the work of volunteers from schooldays onwards. The hon-ours system should also be ours system should also be modified to recognise citizen-

ship and voluntary achievements.

The commission's report says that its recommendations are aimed at strengthening participatory arrangements in society. "Citizenship, whatever it means, is a cultural achievement, a gift of history, which can be lost or destroyed," it says.

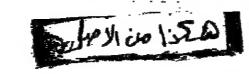
can be lost or destroyed," it says.

The report also asks Mr Weatherill to pursue the possibility of setting up a standing Royal Commission or similar body to research and publish material on all matters related to citizenship.

Encouraging Citizenship.

Report of the Speaker's Commission on Citizenship. HMSO.





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lished, subject to commercial confidentiality.

Mr Wakeham has granted

Mr Barnes says in his 3,300-

work will be funded.

Waste disposal operators will soon have to clean up their act. Peter Marsh visits a site that claims to set the standards

HE TINY village of Cal-vert in Buckingham-shire is well off the tourist track. But the village's rubbish site — one of Britain's biggest — is an attraction to rival much better known visitor spots.

tor spots.

The site, made up largely of disused clay pits, extends over 400 acres and has the potential of storing 50m cu metres of waste over the next few decades — enough to fill St Paul's Cathedral 70 times over.
The site is run by landfill operator Shanks & McEwan. It receives 400,000 tonnes a year of mainly domestic rubbish, most of it carried by train from

most of it carried by train from London and Bristol. Lorries then transport the waste to the tip, where it is piled up into artificial hills up to 40 metres high which are eventually lay-ered with soil and grassed

There are about 5,000 land waste dumps in Britain, most of them much smaller than Calvert, which receive about 90 per cent of the 100m tonnes of domestic and industrial solid waste that Britain generates

HORS

OHBI

each year.
The waste sites are run by local authorities and private companies. Local authorities are responsible for disposing of most types of solid waste and regulating the dumps. Standards in many of Britain's waste sites are far

from high. The industry accepts that few have adequate supervision of materials com-ing on to the site and hardly any have adequate methods of checking for hazardous materials in the effluent flowing from the dumps. The Environmental Protection Bill - which is due to become law in October, although some of its provisions

will not be enacted for several



years - is expected to lead to tighter regulations and push up the costs of waste disposal. The bill will establish the principle of duty of care - placing a legal responsibility on organisations producing waste to establish that there is proper disposal of the material. Another change is that county councils, which at pres-

ent both run and regulate

many land sites, will have to divide the functions of policing and operations by setting up separate waste-disposal compa-

Solid-waste disposal costs of between £10 and £20 a tonne are expected to rise by up to three times by the mid 1990s. That reflects the extra monitoring systems and other safe-guards that waste disposal sites will have to implement.
"The general effect of the bill
will be to push up standards,"
says Ms Linda Crichton, a
landfill expert at Aspinwall, an
environmental consultancy.

At Columnt Ms Michael Philfor private operators.

At Calvert, Mr Michael Philpott, director of environmental policy for Shanks & McEwan, bristles at the suggestion that his site is called a rubbish dump. "What looks like a crude operation is really quite high-tech," he says.

At the Calvert site, water leaking out from the rubbish is monitored for signs of noxious materials. All the rubbish is laid on a clay lining which is thought to be impermeable to most hazardous substances. Shanks & McEwan is experi-

menting with collecting meth-ane gas from the rotting rubbish. Rather than being allowed to remain in the ground - where the gas can constitute a hazard because of its explosive nature - the methane is piped to the surface to drive an electricity turbine. It is thought the legislation

will mean that large sites such as Calvert will eventually deal with virtually all Britain's rubbish, with the smaller sites closing down.

Of Britain's total 100m tonnes a year of solid waste, about 20m tonnes come from people's homes, with a further 30m from commercial prem-ises. Industrial operations produce a further 50m tonnes. Waste disposal is a large and potentially profitable industry

About 5m of the 50m tonnes of solid waste produced by the industrial sector is classed as

Many British waste-site operators mix different types of rubbish in the same dump and hazardous industrial substances can be buried in a mass of ordinary domestic waste. Such co-disposal is frowned upon in the Continent, and the European Commission is preparing directives to outlaw the practice. The provisions of the UK environmental bill may hasten the demise of

co-disposal in Britain.
The criticism is that with codisposal, hazardous industrial substances can be buried in a mass of ordinary domestic waste. That may, say experts, cause unpleasant or dangerous chemicals to leak out of the tip

"There will always be a degree of uncertainty about co-disposal," says Mr Rod Perriman, a former senior official at Her Majesty's Inspectorate of Pollution, the Government's main environmental watchdog. Mr Perriman now works as an environmental scientist at Imperial Chemical Industries, Britain's biggest chemical

group. Mr Henry Pullen, a director

STRATEGIES FOR THE SINGLE EUROPEAN MARKET

of Cleanaway, a large waste management company, defends co-disposal. He says that mixing the two types of waste produces a stable chemical system, which reduces the

possibility of hazardous materials being formed.
One of the main attractions of co-disposal is that it is cheap. Disposal costs would increase if the method were banned and producers of industrial wastes had to introduce new methods of getting rid of hazardous material.

One relatively new method is high-temperature incinera-tion, which is used in the Netherlands and West Ger-many. In Britain only about 100,000 tonnes a year of industrial waste is incinerated although the figure might rise if planning stages for new

incinerators are approved.

As the cost of disposal increases, the UK waste-management industry may encourage recycling. Dr Jeremy Leg-gett, scientific director at the London office of Greenpeace, the environmental organisa-tion, says that companies and local authorities need to focus on reclamation.
"We need more incentives to

encourage industrial compa-nies and domestic householders to recycle waste. We should be trying to bring about a com-pletely new shift in thinking," he says.

New Engine Venture

Underway in Europe

a production base in Spain, for

medium-sized tractors and in West

Germany for small-sized construc-

tion equipment. At the moment, we are supplying the engines used

in these operations from Japan.

Cummins Engine has some pro-

duction bases in the EC, so by

utilizing their know-how and ex-

perience in this area, we want to

establish a new company as a joint

venture to produce engines for

our operations in Spain and West Germany. To be approved as an EC

manufacturer, perhaps we should

Secondly, in Europe, we have

#### Conflict of demands seen for food trade

By John Thornhill

THE FOOD industry in the 1990s will have to reconcile consumer desires for less "artificial" products with demands for greater convenience. a report by Euromonitor shows. The report says a balance will have to be struck between the purity of foods and the ease of preparation, aims that it suggests may not be wholly compatible. One area where tension may arise is the irraditension may arise is the irradi-ation of foods, which, it says, is likely to meet resistance from retailers and consumers. Consumers, alarmed by vari-ous food scares, have shown a marked shift towards foods perceived to be healthy. Low-fat, low-calorie foods, high-fi-bre breads, low-fat spreads and pasta form the fastest-growing sectors of the market growing sectors of the market. In the past five years, the UK market for organic foods has grown from about £5m to £36m and Euromonitor forecasts that it may grow to £190m by 1993. Sales of organic foods will, however, continue to represent only a fraction of total food sales. Healthy Foods and Healthy Eating. Euromonitor, 87-88 Turnmill Street, London EC1M 5QU. 071-251 8024. £450.

ADVERTISEMENT

## Zeebrugge deaths trial begins today

By Richard Tomkins, Transport Correspondent

SEVEN individuals and their employer, P&O European Ferries, will today go on trial at the Old Bailey charged with manslaughter after the Zeebrugge disaster in 1987. The trial is expected to make

British legal history in estab-lishing whether manslaughter can be committed by a company as well as by an individ-

A total of 193 people perished when the Herald of Free Enterprise, a car ferry, capsized shortly after leaving the Bel-gian port of Zeebrugge on

An inquest in Dover returned a verdict of unlawful killing in respect of 187 of the deaths, and after a 16-month investigation by Kent police, the Director of Public Prosecu-

Three of the individuals going on trial are former directors of Townsend Thoresen, the owner of the Herald of Free Enterprise, which was taken over by P&O just before the disaster. They are Mr Jeffrey Develin, chief superintendent of the company's marine department; Mr John Akindor, deputy chief superintendent; and Mr Wallace Ayres, techni-

The four other individuals are crewmen. They are Mr David Lewry, duty master of

BRITISH roads are among the busiest in Europe even though the country has a comparatively low level of car ownership, the British Road Federation are in a proof today.

snip, the british Robal Federation says in a report today.

The federation, which represents organisations of road users, says southern England has the most cars in Great British and Scotland the few-

Accident rates have almost

halved since 1970, says the report. It identifies lorries as the safest vehicles on the road and motorcycles as the most

dangerous.

The report, Basic Road Statistics 1990, shows that of the main European countries, only Italy has more vehicles per kil-

the ferry on the night of the disaster, Mr John Kirby, senior master, Mr Leslie Sabel, first officer, and Mr Marc Stanley, assistant bosun.

All seven, together with P&O European Ferries, are charged with the manslaughter of Mrs Allson Joy Gaillard, one of the victims of the disaster. Mrs Gaillard's father, Mr Maurice de Rohan, is chairman of the Herald Families Association. which represents survivors and victims' relatives. The maximum penalty on

conviction would be an unlimited fine in the case of the company and life imprisonment in the case of the individuals. Earlier this year P&O tried

to have the charge of corporate manslaughter quashed, claiming that a company did not could not be negligent or reck-less. An Old Bailey judge, however, refused the application.

Although charges of corpo-rate manslaughter are not unknown in British legal history, previous cases have resulted in acquittal without establishing whether a company can commit such a crime. The first day of today's trial is likely to be dominated by

legal submissions, so the jury may not be sworn in until tomorrow. The trial is expected to last at least four months.

ometre. That relates to the last available year for figures, 1988. Yet Britain had only 333

vehicles per 1,000 inhabitants, compared with higher figures

for France, West Germany, Italy and the Netherlands.

Similarly, Britain had far fewer miles of motorway than some other European countries.

West Germany had nearly

- West Germany had nearly

four times as much - yet motorways were often twice as

busy in this country than those

abroad.

The BRF figures show that

while there were only 5.7m cars in use in 1960, there were

19.2m on the roads in 1989. The

figure was forecast to go up to more than 25m by 2000 and possibly 32m by 2015.

Transport body says roads

among Europe's busiest

## A Powerful

## New Partnership in Europe

The past five years have seen dramatic changes at Kubota Corporation. From its traditional pipe and agricultural machinery activities, it has expanded successfully into making work stations and electronic parts. President Shigekazu Mino explains.



Robins: Kubota has undertaken a series of diversification moves over the past few years, what is the overall aim?

Mino: I have to answer by deviating a little. Kubota recently celebrated its 100th anniversary. Looking back, we have provided customers with products and technology most needed at that time. and we have clearly been successful in doing so.

Our basic idea is not to expand our business areas as such, but rather, to respond to the changing needs of society. So, from this perspective, we are working to diversify our operations.

One example is the electronics field, where we are now entering the computer field. That may appear to be an unlikely move for us, but looking at our long history in producing machinery, we recognise the necessity of using computers if we are to succeed in the changing needs of society.

at the computer field, how does

Mino: As traditionally a manufacturer of various items of machinery, we realise the importance of computers in enhancing basic machinery functions.

Firstly, I can give the example of computers being used in the de-years.

sign, or research and development Robins: Recently, Kubota took of machinery. Secondly, to manuup direct equity in Cummins Engine of the U.S. What is the aim? facture our products, we can streamline production processes Mino: I can cite two reasons for our major investment in by using computers.

Cummins Engine. First, our long

experience in making internal

combustion engines—the core of

our business. Recently there has

been increasing pressure for ex-

haust emission controls, not only

for on-road but also for off-road

equipment. Responding to this,

Cummins Engine has put a great

deal of resources into R&D for ex-

haust control technology. So we,

as a diesel engine manufacturer,

would like to collaborate with them

to develop this technology together.

Rapid Growth in Computer Field

And thirdly, we can give our machines new functions by using computers. In this field, specifically, we are now aiming at producing work station-type computers, which are mid-sized units, between personal computers and large mainframes. We realise that these mid-sized computers will be ideal for us, as a manufacturer of many types of machinery. So, we intend to make the computer division independent. By using its newly developed technology to progress into new business areas, we are confi-

Robins: What is likely to be Robins: Looking specifically the future contribution of the comnuter activities?

Mino: We anticipate achieving annual sales of ¥50 billion in three years. At the moment, revenues are ¥15 billion. Since this is a new business for us, it is quite difficult to make a profit. Even so, we are sure we will be able to do so in three

be prepared to produce or procure engines in the EC. Cummins Engine has been looking for stable shareholders for some time, and with this in mind,

> equity in this company. Robins: Along with the EC venture and the direct holding in Cummins, are any other tie-ups

Tenneco, Ford and ourselves

reached agreement to take up direct

with Cummins likely? Mino: Yes, as two of the leading diesel engine manufacturers, various ways of collaboration in terms of R&D, production, marketing are possible. Perhaps we may call it a strategic alliance. For example, we at Kubota are very good at making mid-sized engines while CE is good at large-sized engines. We are both working to export to other markets, so it is quite possible to share distribution and market information.

Robins: Looking at Kubota's other areas of operation, how are they performing?

Mino: Our major field of operation is agricultural machinery -tractors, rice planters, combines, and we also supply engines. This accounts for 40 per cent of total revenues. This also includes construction machinery and various engines for these items of equip-

We also produce various pipes for water supply systems, which is about 30 per cent of revenues. As well, we make castings, mainly for production, for example, of tunnel segments, or buildings and also for general industrial use. This is about 10 per cent of revenues. And recently we have seen increased demand for housing materials, for example, roofing, walls for prefab housing and the like, which is about 10 per cent of

We also make vending machines, electronic parts and environmental equipment.

Robins: With the reconstruction of Japan that is now underway, what role will Kubota play?

Mino: In Japan, moves are underway to enhance domestic demand. In order to develop the country further, it is essential to improve the social infrastructure. Kubota can provide a variety of items of machinery and equipment in order to respond to the multitude of needs now emerging.

For example, we are seeing increasing demand for piping and materials for tunnel segments, and so on. In this field, we can make a positive contribution to society. As well, we can provide poliution control equipment such as control and sewage systems.

#### Benefiting from the Reconstruction of Japan

So, with the reconstruction of Japan, we can provide products and technology Japan now needs and I think this field is very promising for us in the 1990's.

Forty years ago, for example, the percentage of water supply systems in the major cities was only 29 per cent. Now it is above 94 per cent. But during this period of growth, no one anticipated the high levels of population density, the degree of automation that would occur or the growth in the number of autos. As a result, much of the water supply system uses poor quality pipes. So now, much of the system needs to be drastically upgraded, by using ductile piping.

In Japan, we have seen rapid economic growth, which is concentrated in the major cities but the basic infrastructure, the roads, sewage systems, water systems and the like are very poor-it is like we have a large head and very weak legs.

So, moving towards the Twenty First Century, we must upgrade our infrastructure. So, to that end, we think we can make our contribution to this development.

Similarly in the housing field, most people are living in poor conditions and want to upgrade. But at the same time, we are seeing a decline in the number of carpenters and the like. Very few want to enter this field now. This again provides opportunities for us, since we are providing housing materials, not for construction on the site, but in prefabricated units, etc.

## Kubota

**KUBOTA Corporation** Head Office: 2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka 556-91, Japan Phone: (06) 648-2111 Telex: KUBOTA J65251 Facsimile: (06) 648-3862 **KUBOTA Corporation** London Office: 11/12 Hanover Street, London W1R9HF, U.K. Phone: (071) 629-6471 Telex: 263235 KUBOTA G Facsimile: (071) 629-6915

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ew management innovations in the post Second World War period have been as widely admired and imitated as Toyota Motor's just-in-time (JIT) production system.

Developed originally in the 1960s by the now legendary Taiichi Ohno as a way of reducing inventories, JIT quickly evolved into an overall system for eliminating waste and maintaining high levels of reliability and quality in the total production proce

Yet market conditions and technology march on, and even so basic a development as JIT is subject to important changes in the environment for world class manufacturing.

For example, the system was designed at a time when all of Toyota's manufacturing was done within a 50 kilometre radius of its headquarters in Aichi prefecture. The company was able to set up a network of suppliers close to its plants. making it easy for them to deliver just the right number of parts at just the right time

on a daily basis.
In the past few years, and in response to market and political conditions, the company has opened plants in the US and is building others in the IIK and in remote areas of Japan. This is making the logistics of timely delivery of components more difficult; and is thus putting into question

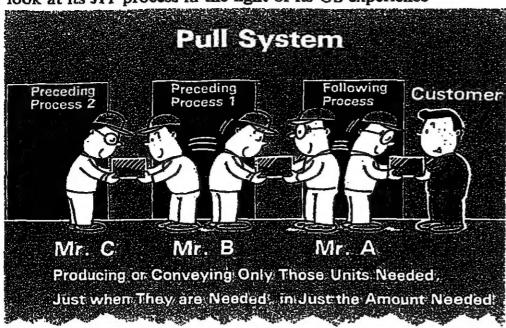
the whole JIT system.
Also, for all its effectiveness. the system operates with surprisingly primitive tools. The famous "kanban" are nothing more sophisticated than cardboard inventory bin tickets that delivery men carry back and forth between suppliers and the assembly line. Computer and telecommunications technologies have scarcely been explored.

Toyota began to take a fresh look at its production system when it set up the New United Motor Manufacturing Incorporated (NUMMI) joint venture with General Motors in the US in 1984. The tentative conclusion from that experience was that, even though the supply of parts was nowhere near as efficient as it was in Aichi, it was still worth attempting some form of JTT. "We do not reduce inventory to a minimum for its own sake, but to maintain good production discipline," says Tadaaki Jagawa, director of Toyota's production planning

denartment. In other words, the US experience put into relief the real value of the system. If subcontractors know that there will be no surplus parts on the Toyota Motor

## Delivering tomorrow orders made today

Ian Rodger explains why the Japanese group is taking a fresh look at its JIT process in the light of its US experience



Reproduced from a pamphiet on 'Production at Toyota — Our Basic Philosophy

assembly line, they tend to make sure of the quality of their output.

If assembly workers know there is no surplus personnel to fix their machinery, they keep their eyes open for probems and do something about them when they emerge. (A characteristic of the Toyota system is that every worker has the right, indeed, obligation, to stop the line if he detects a problem.) "Stocks made people feel safe. We want them to make every effort to prevent mistakes, to get to the root causes of problems." Jagawa says.

Two years later when the company started up its own plant in Kentucky, it decided to install the whole JIT production system, despite the risks and higher costs involved. That has meant that on occasion when an ordering error is made, parts have to be flown from Japan at great cost.

Also, the company found that US parts suppliers were unwilling to deliver every day.

so it set up denots in Detroit and Chicago where the suppliers could make more irregular deliveries. Toyota itself would make daily collections from the depots for delivery to the plant. What Jagawa calls a milk-run was introduced to bring parts on a JIT basis from suppliers

located near the plant.

Although all this caused significantly higher costs, especially at the outset when scheduling errors were frequent, Jagawa says the benefits are already apparent. "We have achieved unexpectedly high output in Kentucky. we would get about 200,000 cars a year from the plant. With the same equipment, we would get about 250,000 units in Japan, Now, we are already at 240,000 in Kentucky.

"American workers have turned out to have a sort of Yankee spirit. If they have a target, they are just like the Japanese - they put their energles together to achieve it," he

Then there is what he calls the kanban plus alpha effect. The introduction of just-in-time in Kentucky forced the company to start using modern

technology. At the simplest level, kanban from the US des-

tined for Japanese suppliers

have to be sent by facsimile to

save time. High volume data communication links have been installed connecting Kentucky to Toyota City, enabling the head office to monitor overall production and even the real time performance of some sophisticated machines, such as body-assembly robot lines. "Because we are far away, we cannot see what is going on, but we want information. This given a new dimension to

the kanban." Jagawa says. Based on the Kentucky expe ence, the same sorts of system will be installed at the Derby plant in the UK and at the two domestic plants announced last month. Jagawa believes a milk-run system will be adequate for the UK-based

parts suppliers, but depots will be needed for European suppliers. As for the Hokkaido and Kyushu plants, ships can be used for some parts, the national rail and trucking net-

works for others.

With the increased complexity of the production network the need for more sophisticated data-handling systems is becoming more apparent. "We are starting to automate the information transfer process, installing automatic readers and sorters with our large sup-pliers. This is not so much to increase efficiency as to reduce the possibility of accidents,"

Jagawa says. He acknowledges that the company has been slow to automate but says with a wry laugh that Ohno, who died in May at the age of 78, was very conservative. "He hated com-

Jagawa is now leading a major programme, expected to take several years to complete, to turn just-in-time into real time at Toyota. The goal is to have a production system that can produce cars in response to real orders in the shortest possible time. "Our stocks for tomorrow should be based on what we are going to sell tomorrow, not on what we sold

yesterday," he says.
He believes that competition in the world car industry will continue to be based mainly on the quality of a maker's prod-ucts for the next decade or so. However, both European and US producers are already beginning to achieve the high standards the Japanese have set, and so the quality issue is bound to fade in importance. Thereafter, the key to competitive success will be timeliness of delivery, he predicts. "Customers will want their cars the

day after ordering them."

The challenge for a volume car-maker is to build a produc tion system capable of respond-ing to that sort of demand as well as being able to operate effectively 100 per cent of the time. "If we wanted to create a system with 80 per cent uptime, that would not be so difficult," Jagawa says. Toyota believes that, just as

in JIT, the minimising of inventories holds the key to the success of this project, and so it feels it has an advantage over others. Indeed, even without a real time system. it already has a remarkably responsive and flexible production process. It can adjust its production schedule for any given day only three days in advance. Other Japanese, European and US companies still require a week to 10 days.

Management education

## Western business schools advance on eastern Europe

By Haig Simonian and Simon Holberton

≺ he 90 senior Czechoslovakian managers who started a one-year course in business administration at the new European Business School (EBS) in Prague last month will find it hard to avoid the impression of being evinea-pies.

Apart from the international media interest on their first day, the inaugural group must be aware that hovering over their heads is a flock of west European companies, notably German, many of which may already be sizing up the new intake for their future east European staffing needs.

The new school in Prague represents the fruits of nearly one and a half years of patient negotiations between represen-tatives of EBS, based at Frankfurt, and the former Communist government in

Czechoslovaki The Prague EBS differs from its west European counterparts in a number of ways. Rather than teaching undergraduates, the German academics behind the Czech venture have, they claim, tailored it to the more urgent needs of local business and businessmen

As Professor Jürgen Bunge, the man who led the negotia-tions with the Czechs, explains, with hard currency at a premium, undergraduate teaching would never have been adequate to make the new venture a going concern.

Hence the emphasis on management training for estabished executives rather than for school-leavers at the new school, which is being run as a joint venture between the EBS and the Czech government. All the opening batch of 90 students, aged between 30 and 50, are directors or heads of department at a variety of big Czech companies.

They - or rather their employers - are coughing up the DM3,400 (£1,200) in hard currency and Kcs18,000 in domestic Czech crowns for 236 hours of tuition from local and foreign lecturers over the next

The venture marks one of the most recent attempts by western business educators to pass on their knowledge to Eastern Europe's managers. But as the political and eco-nomic barriers to enterprise come down the urgent need for management training becomes

As Jean-Pierre Salzmann, director of external affairs at INSEAD, Fontainebleau, observes: "People talk of a Marshall Plan of eastern Europe but the reason the Marshall Plan worked in the west was that there was an intellec-tual infrastructure receptive to capitalism. All that was needed was rebuilding. In eastern Europe they have to create

everything."
The role that Europe's business schools might play in helping to create that "everycould be vital. But so far the approach has been unfocused and undirected.

#### Not strategic

George Bain, principal at London Business School, says: "People are charging off in all directions. There is nothing very strategic about the activity. Also, there is a limit to what one British school, indeed all British business schools. can do for eastern Europe. The impact on the Soviet Union of having a group of Soviet managers attend a course here is minimal."

In eastern Europe and the Soviet Union, European business schools and emigré benefactors are involved in at least six ventures.

In the Soviet Union there are management schools in Lenin grad (a joint venture with Italy's Milan-based Bocconi school) and Kiev. The Kiev school was founded by Bodhon Hawrylyshyn, a Ukrainian with Canadian citizenship, who was formerly director of the Swiss International Manage ment Institute before it merged late last year with Imede in Lausanne to create IMD.

Yugoslavia boasts the oldest business school in the Eastern bloc, founded in 1986 in Slovenia. From next month, the Brdo Management School will offer an MBA, taught in English.

In May last year, the Hun-garians founded an International Management Centre in

Budapest, funded by the eponymous foundation of Hungarian-American millionaire George Soros. In Sophia, Bulgaria, Britain's Cranfield School of Management has been advising on the creation of the Sophia International

Management School. This is a jointly funded operation by Robert Maxwell's Maxwell Communications Corporation and the Bulgarian Industrial Association. The Sophia school will offer a postgraduate management degree and also programmes for practising managers

Leo Murray. Cranfield's director says: "The worst thing they can do is blindly believe that the west has all the answers. To take a western model and not adapt it to local conditions just won't work. It is of critical importance that they do something for them-selves rather than come here and, say, listen to wily academ ics lecturing about human relations management based on research conducted here."

According to Bain at the LBS, European business schools need to adopt a collective approach to management education in eastern Europe; in November the principals of IMD, LBS and INSEAD will meet in an attempt to gather wider support for this idea. The approach would, in Bain's words, be to seek to "train the

trainers. That's the way to get lever age," he says. "In terms of making a significant impact on eastern Europe and the Soviet Union the way to do it is to help them develop the educational capacity to train their own people."

Prague could be the first of a number of new EBS ventures. in Eastern Europe, according to Professor Klaus Evard, the German president of the EBS Foundation.

Apart from signs of interest from the Russian, Rumanian and Hungarian authorities for schools, Evard has his eyes fixed firmly on East Berlin. Subject to the Bonn government agreeing to provide the DM9.7m funding required for a five-year project, he hopes to have a new East Berlin school running by next March.

THE HIGH COURT .

#### LEGAL COLUMN

## Challenge to minister seen over random bank searches

By Derek Wheatley, QC

ON August 16 I wrote in the Financial Times that attempts by the Inland Revenue to gain the right under this year's Finance Act to make random searches of any bank account were likely to be defeated.

I said that because of a clear undertaking given to the House of Commons on July 16 by Mr Richard Ryder, then Economic Secretary to the

Mr Ryder's statement followed concern expressed by the banks about an amendment to the Finance Bill which provided that the board of the Inland Revenue might make regulations "with respect to the furnishing of information by . . . deposit takers including . . . the inspection of books, documents and other records on behalf of the

At first glance, those powers would be wide enough to allow the Inland Revenue to require details of the bank accounts of anyone without the need to give any reason or to have con-vinced anyone that there was

any case to investigate. The Inland Revenue has existing powers under the Taxes Act to obtain such 16. Mr Ryder, standing in for

MR Rudolf Giuliani, the former

US Attorney for the Southern District of New York, was in London last week to talk about

insider dealing and securities fraud, writes Robert Rice. He led the mid-80s clean-up of Wall Street which netted,

among others, Mr Ivan Boesky.

He told his audience at a City lunch hosted by solicitors

Jaques & Lewis how surprised he was to see so many people

having lunch with him in pub-lic. 'In New York City where I

was a US attorney no one had lunch with me in a public res-taurant." he said. Being public prosecutor in New York had its

Two years ago he had been asked to present an award to a famous New York business-man at a dinner. He telephoned

him a few weeks before in

order to try to find out a few facts about him so he could

make a personal introduction. The man never called back. Mr

Giuliani arrived at the dinner

at the Waldorf Astoria, sat

drawbacks.

details. However, they can only be exercised when the investi-gating officer has convinced a Commissioner of Inland Revenue that there is a prima facie case of tax evasion and that there is a need for further evi-

dence to bring the case home.

Because of the traditional privacy of the bank account and the long-standing legal duty of the banker not to disclose his customer's affairs to close his customer's affairs to anyone, these powers have seldom been used and only in proper cases. The Revenue has never been empowered to go on "fishing expeditions," that is to say, to seek tax evaders by random searching of all or any bank accounts or bank accounts of a particular class of person. It appeared it might now be trying to do so under the provisions of the amend-

ment in the Finance Bill. The concern that was felt had not been allayed at meetings between the British Bank-ers' Association (BBA) and Revenue officials. MPs were lobbied and Sir William Clark, chairman of the Conservative Finance Committee, expressed the widespread concern that was felt in the House on July

down next to him and intro-duced himself, "I called you a few weeks ago," Mr Giuliani said. "I

called you because I was

introducing you tonight and I wanted to know a few things about your family and your

background."

"Jeez," the man said, putting his head in his hands. "Is that why you were calling? You don't know how much money you've cost me in legal fees over the past month."

Asked later if he thought juries had any chance of understanding complex fraud cases such as the Guinness trial, Mr Giuliani said he was a firm believer in the shillty of

firm believer in the ability of juries. It all depended on the

skills of the lawyers in presenting the case, he said.

At the start of his career he had clerked for a federal judge and he remembered a trial where the prosecutor began his

case in front of the jury by saying in a very solemn voice:

"This is a very complicated

Mr Lilley, gave the undertaking that new regulations would not have this effect.

He said emphatically there was "no question of fishing expeditions taking place." That ought to have been an end to it and to any fears of Big Brother becoming a reality.
Unfortunately, the officials
of the Inland Revenue do not

share that view, as subsequent discussions between the banks and Inland Revenue have confirmed. The deputy chairman of the Inland Revenue was able to offer some slight solace. The new powers would be used only to verify declara-

tions that interest could be paid gross to individuals because their income was insufficient to pass the tax threshold altogether. Although that would clearly still be "fishing," at least it would be confined to testing the truthfulness of those declaring that their income

The Judge immediately called a recess and took every-body into the robing room. "Young man," he said, addressing the prosecutor. "I'm going to do you a big favour. I'm going to adjourn for three hours and I want you to come back this afternoon and I want you to begin your opening."

you to begin your opening statement again as follows:

"This is a very simple case.

Very easy to understand."

It is a lesson Mr Giuliani says he has never forgotten, although when he began his

career as a prosecutor it did not prevent him from making his own mistakes. What he has learnt over the years is that it

is dangerous to try to predict how juries will decide.

The first case he tried as a federal prosecutor was an assault on the high seas. Mr Giuliani was given the case because he was new and inexperienced and there were five

was small so that no tax should be deducted. It now appears that the Revenue proposes to renege even on that. The regulations have been drafted and it is under-stood that they mirror the

the Finance Act. Mr Ryder's undertaking and the slight comfort given by the deputy chairman have been ignored. The officials of the inland

Revenue apparently see no reason why the regulations should not be all-embracing. They maintain that they would not be used to make random checks on all and sundry but only on the self-certifying non-

That should convince no one. Why should the regulations give wider powers if they are not to be used? And why, in any event, should the minis-terial undertaking be ignored, whether confined to those who certified they paid no tax or

The BBA is not content to let things rest and is pursuing the matter with Mr Francis Maude, the new Financial Secretary. It is to be hoped that he will wish to honour the undertaking given by his ministerial col-league Mr Ryder.

If he falls to do so, it will

begin to look very much as if Mr Ryder's views, carrying forward government policy as expressed by the Chancellor of the Exchequer, can be over-ruled by his civil servants. Lessons of lunch with the public prosecutor

finally they reached the sum-mation which Mr Giuliani was

to deliver. For the first 10 min-utes he did not have the cour-

age to look at the jury. He had just reached the

point where he was describing how the defendant had taken

the knife and stabbed the vic-tim when he looked up for the

first time and caught the eye of

a woman juror, number 11, who looked straight back at him and began to shake her head from side to side.

The jury retired and after two hours returned with a verdict of guilty on all counts. The defence leaves was a shocked

defence lawyer was as shocked as he was. He too had been watching number 11. He asked for the jury to be polled.

Finally they reached number

"Guilty," she said, shaking her head from side to side – in

stand. About the securities aftermarket."

The judge immediately witnesses and a confession. Nobody could lose this case.

The case was tried with the aid of a senior prosecutor and aid

## **PUBLICATION JUDICIAIRE**

LEGAL NOTICE

Il a condamné Monsieur Jean-François KAHN à la peine de QUATRE MILLE FRANCS d'amende; Monsieur Olivier DROUIN à la peine de QUATRE MILLE FRANCS d'amende; Madame Jeanne VILLENEUVE à la peine de QUATRE MILLE FRANCS d'amende; Monsieur Patrice PIQUARD à la peine de quatre MILLE FRANCS d'amende; et dit que la poursuite exercée à l'égard de Monsieur Serge MAURY est sans objet.

Alain BOUBLIL la somme de DIX MILLE FRANCS à titre de dommages - intérêts et celle de QUATRE MILLE FRANCS en vertu des dispositions de l'article 475-1 du Code de procédure pénale.

Pour extrait, Maitre Thierry LEVY, Avocat à la Cour.

#### La Cour d'appel du Paris vient de confirmer un jugement rendu par la 17 ème chambre du Tribunal

de Grande Instance de Paris le 12 juillet 1989 qui a déclaré Monsieur Jean-Francois KAHN coupable de diffamation publique envers Monsieur Alain BOUBLIL, agent de l'autorité publique, et Messieurs et Madame Jeanne VILLENEUVE, Olivier DROUIN et Patrice PIQUARD coupables de complicité de délit, infraction prévue et réprimé par les articles 23, 29 alinéa 1, 31, 42 et suivants de la loi du 29 juillet

Il les a condamnés solidairement à payer à Monsieur

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#### COMPANY NOTICES

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The Mitsur Taiyo Kobe Bank Limited Dated: 10th September 1990

ART GALLERY

IN THE MATTER OF ENNEX INTERNATIONAL PLC COMPANIES ACT 1963

NOTICE is hereby given that a Postion went on the 13th day of July 1880 presented to the High Court by the above named company, seeking the following railet:

(a) Confirmation of the reduction of the abacs premium account of the company from IREA7.355,000 to IREZ7.352,000 by altesting against it the deallot on the profit and lose account of the above entitled company of IREZ0,273,000. The said reduction to be effected by the cancelling of such stage premium account to the extent of IREZ0,273,000.

(b) An Order confirming that part of the-capital of the company consisting of USS-1.000 divided into 4.000 ordinary shares of 25 cents each be reduced to USS-1.75 divided into 7 ordinary shares of 25 cests each by cancelling 3.930 of the said ordinary shares of 25 cents each which have not been taken or agreed to be taken up by any genson.

(c) An Order confirming the reduction of that portion of the capital of the company which consists of seven ordinary shares of 25 cents each, all of which have been issued and are tally paid up, by cannolling the entire of such shares and returning to the holders thereof the full amount of the capital paid up thereon, namely \$1.75.

(d) An Order approving the terms of a Minute to be registered in the Companies Office recording the reduction of the said there permium account, the cancellation of the unissued 25 cent shares and the reduction of the share capital of the company represented by the seven 25 cant shares at present issued.

Any craditor or chareholder of the alorscald company desiring to oppose the making of Driesra sought in the said Pedition should appear at the time of the hearing in persen or by Counsel for that purpose,

A copy of the said Petition will be furnished to any creditor or shareholder requiring the same by the undermentioned Solicitors.

Dated the 1487 day of August 1880 Signed: Whitney Moore & Keller. Solicitors for the above named Conspany Wilton Park House, Wilton Place, Dublin 2

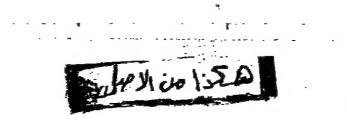
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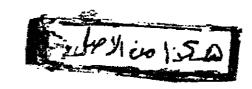
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## Inflation is month's key indicator

UK INFLATION data, to be released on Friday, will be the key indicator of the month for the markets and the first to reflect the rise in oil prices. Much of this week's data is domestic, although all central banks have been cautioned by the International Monetary Fund not to relax policy in the face of the worldwide infla-

tionary threat from the Gulf UK headline inflation has remained under 10 per cent for the past two months because of lower food prices. But Mr John Major, the Chancellor, said last week that fresh food prices and oil price rises were likely to have pushed inflation into double figures in August. Not all of the rises will be reflected because of the timing of the

RPI's collection. Fifteen pence on a gallon and higher beer prices are expected to add about 0.25 percentage points to the index. The figure is also likely to be

propped up by the base effects of a sharp drop in year-on-year growth in August 1989.

The Gulf crisis will also have



1989

an inflationary impact on today's producer price indices, as oil prices account for close to 18 per cent of the total eries. However, the rise in the dollar price of oil is softened when translated into sterling, giving a rise of only about 20

Inflationary pressures within a weakening economy are likely to find illustration in the labour market statistics on Friday, with average earnings

10 per cent. Evidence of the consumer downturn and easing demand will be found in the retail sales figures for August. This is a volatile series on a monthly basis, but is showing the looked-for slowdown in the three-monthly growth

Analysts are positive that

wage inflation should ease as output and profits growth slow with rising unemployment.
The following statistics will be released during the week, with median market forecasts compiled by MMS Interna-tional, the financial research company, in brackets. France, industrial production; West Germany, official reserves, wholesale price index (year-on-

year 1.6 per cent); Switzerland, trade balance for August.
■ Today: UK, provisional retail sales for August (flat), pro-ducer prices (input 2 per cent, output, 0.4 per cent) for August US, consumer credit for July. Switzerland, Bank of International Settlements

tional banking statistics, sec-ond quarter. US, current account, second quarter. Japan, Bank of Japan reports. ■ Wednesday: UK, national accounts, 1990 edition (CSO Blue Book, 1989), balance of payments, second quarter. France, Council of Ministers discusses draft 1991 budget. Australia, retail trade for July (0.3 per cent).

Thursday: UK, labour mar

ket statistics, unemployment and vacancies, August provisional average earnings (10 per cent) July, provisional produc-tivity and unit wage costs (6.4 per cent), capital issues and redemptions. US, money sup-Friday: UK. July. industrial output (down 1.2 per cent),

manufacturing output (flat), retail prices index month-onmonth 0.7 per cent, and yearon-year 10.3 per cent), tax and price index for August. US, capacity utilisation (83.2 per cent), industrial production, retail sales (down 0.1 per cent).

Rachel Johnson

#### UK COMPANIES

PRUDENTIAL, the largest insurance company in the UK. announces its results on Wednesday. It is assumed that they will be sharply down on the 1989 half year pre-tax profit of £196.7m, but the market is divided about how far they will fall. Estimates range from

between £90m-£140m. BTR, the UK-based industrial conglomerate, is likely to have to content itself with a

**UK COMPANIES** 

Taxable profits of £540m \$550m are expected in the report on Wednesday. Interim results at Fisons. due to be released on Tuesday, are expected to manifest

5-7 per cent profit advance.

growth as rapid as a shrub planted in the pharmaceuticals, scientific equipment and horticultural group's compost. Analysis are calling for pre-tax profits of £89m-£90m against 967m last time

RTZ Corporation, the world's largest natural resources group, is widely expected to make a small increase in its interim dividend payment, perhaps by 0.5p to 5.5p, even though half-time attributable profits will do well to match last time's £279m.

Legal & General, the large composite insurer, is expected to announce pre-tax profits on Thursday for the half year well down on its £76m pre-tax profits at the half year in 1989. UBS Phillips & Drew is torecasting a result around subsidence claims.

The second second

United Biscuits (Holdings). the biscuits, salty snacks and frozen food group now headed by Mr Robert Clarke, should report interim pre-tax profits of about £84m on Thursday, an 11 per cent advance from the 1989 figure.

#### APPOINTMENTS

#### Chairman of Finlan Group

At FINLAN GROUP ME Patrick Giles has become non-executive chairman. Mr Michael Rhode has resigned as chairman, but remains a non-executive director. Dr Ashraf Marwan, Mr Christian von Bonin and Mr Michel Budliger have been

appointed non-executive directors. Mr Glies, Mr von Bonin and Mr Budlinger represent a consortium of investors which invested £1.5m in the share capital of Finlan via the open offer, resulting in a shareholding representing around 21 per cent of the issued ordinary shares of

Byk Gulden Lomberg Chemische Fabrik Gmbh has appointed Mr Peter Blake managing director of its new UK subsidiary, CAMERIDGE LIFE SCIENCES. He was appointed sales and marketing director in November.

Mr Ian Ferguson has been appointed head of personnel sources within the gas headquarters in London. He was previously personnel director at British Gas South

 Mr Richard Christmas managing director of P&O Shopping Centres, has been appointed to the board of P&O PROPERTY HOLDINGS.

■ PRECISION METAL FORMING has restructured its senior management as follows. Mr Derek Higgs, a former sales director and general manager, takes over as managing director. Mr Derek Pugh, managing director, becomes deputy chairman, while Mr Mike Thacker, works director, will combine that post with the

Mr Pierre Hermana nas become group product development director of FII-TEC SPORTS. He was

role of general manager.

managing director of HI-TEC Sports UK Mr Steve Rogers, previously sales director, has been appointed managing director of HI-TEC Sports UK.



M AL RANK ORGANISATION Mr Terence North (pictured) has become a director. He is managing director of Rank's leteure division.

 KELLOGG COMPANY has appointed Mr T.A. Knowlton as its chairman and managing

director of Kellogg Company of Great Britain. He became managing director of Kellogg Company of Great Britain 18

Cheshire-based LAXGATE to head a new company, Meadowbrook Foods, specialising in beverages and packaged foods.

Mr John Sandle has been made managing director at WELLMAN BIBBY, part of director of the David Brown standard products division.

 GUARDIAN ROYAL **EXCHANGE** has appointed Mr Allan Duggin as chief executive of its direct sales arm - GRE Personal Financial Management. He joins from National Mutual Life Association of Australesia where he was managing

Mr Mark Scott has been appointed director of UK sales at DICTAPHONE COMPANY, communications equipment.

House, 24 St Swimins Lane, E.C., 10,00 TODAY COMPANY MEETINGS: Wyko, Birminham Botanical Gardens Westbourne Road.

Birmingham, 11.00 Ferranti Inti., Milibani Tower, Milibank, S.W., 12.15 Nobe, 38 St. Leonards Road, Eastbourne Hoad, Eastbourne, East Sussex, 12.00 Stirling, Statehill Lane, Bentley Avenue, Middleton, Manchester,

12.00 Zetters, Clerkenwell Clerkenwell Green, E.C., 11.00 BOARD MEETINGS Haynes Publishin Molyneux Estates

British Vils Fairey Halta Homes & Gar Leser Scan

Ramco Oil Services

P&O

Rugby Singer & Friedlander USDC Inv. Trust E TOMORROW

COMPANY MEETINGS: Associated British Engineering, 30-32 St. Mary Axe, E.C., 10.00 Birse, The Brewery, Chiswell Street, E.C., 12.00 Union Square, Chetwynd

SEPTEMBER 12 COMPANY MEETINGS: Arlen, 10 Snow Hill. E.C., Clark (Matthew), The Central Conference Centre, 90 Central Street, E.C., 12.00 F & C Germany Inv. Trust.

Edobaston, Birmingham

BOARD MEETINGS:

Precious Metals Trust Interims:

Macro 4

Della Edmond

Fisons

Roas Sumit

Hewitt (J.1

Home Counties

Page (Michael)

TVS Entertainment

Newspapers

Watmoughs

■ WEDNESDAY

Asda Property

Beattie (James)

1 Laurence Pountney Hill, E.C., 12.30 Forminsier, The Prince Regent Hotel, Manor Road, Woodford Bridge, Essex,

Gewrings Hall Engineering More O'Ferrall Prudential Corp. Rathers Savoy Hotel Severileid Reeve Tibbett & Britten Try Wilkes (James)

33 Holborn, E.C., †2.00 Tops Estates, 77 South

BZW Conv. Inv. Trust

Klaimvort Smaller Co's

Northern American Gas

Orchid Technology

Aspen Commu

Baird (William)

British Aerospace Burlord

Interims: Abbott Mead Vickers

Inv. Trust

STR

Calor

Audiey Street, W., 11.00 BOARD MEETINGS:

IN THURSDAY SEPTEMBER 13 COMPANY MEETINGS: Dalepak Foods, Kirkby Fleetham Hall. Yorkshire 12.00 Gibbon Lyons, 30(b) Wimpole Street, W., 12.00 Gibbs Mew, The Cloisters, Hariand Simon, Post

Gate West, Central Millon Keynes, 1200 Howden, Moat House Intl. Hotel, Congress Road, Glasgow, 12.00 Trevian Hidgs., 341-349 Oxford Street, W., 10.30 Wintrust, 21 College Hill. E.C., 12,00 YRM, 24 Britton Street, E.C., 11.30 BOARD MEETINGS:

House Hotel, 500 Sexon

Abingworth Coronation Syndicate iaggas (John) stomein Utd. Collieries Interims: Abbeycrest Albany Inv. Trust Bletchiey Motor Brake Bros British Fittings Coats Vivella Costain Firelland Oll & Ges GT Venture Inv.

Laing (John) Legal & General Northern Engineering Inde Rolls-Royce Shell Transport Swallowfield

SEPTEMBER 14 COMPANY MEETINGS: Alba, The Business Centre, London City Airport, King George V Dock, Silvertown, E., 11.00

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Amberley, The Hilton Intl., Manchester Airport, Outwood Lane, Ringway, Hotel. Penns Lane, Sutton 12.00 ondon Intl., Grosveno

House Hotel, Park Lane, W., 11.30 W., 11.30
Northamber, 1 Lion Park
Avenue, Chessington,
Surrey, 12.00
Prior, 21-22 Groevenor
Street, W., 12.00
Radiant Metal Finishing,
Street, 69 Fairfield Road, Bow, E., 10.30 Ransome (William), 104 Savilla, 25 Finabury Circus.

12.00 Stocklake Hidgs., Rea Brothers Bank, Alderman's House, Alderman's Walk, E.C., 10.00 Tinsley (Eliza), The Birmingham Chamber of industry and Commerce 75 Marborne Rond. Birmingham, 11.30 Wyndham, Park Hotel, Park Place, Cardiff, 12.00 BOARD MEETINGS:

Finals: Pacific Dunlop Walker (Thomas) interline: ASD Berry Starque British Mohair

grant and

Daniels (S.) Elys (Wimbledon) Sema Company meetings are annual general meeting

#### DIVIDEND & INTEREST PAYMENTS

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38PTEMBER 14 3: 12<sup>1</sup>27: Uns. En. 1892 6.35pc. Aquascutum 2p Aquaectum 2p Oc. A 2p Uc. 712 % Ptg. Prl. 1.78p Bruhner Inv. Tet. 2p Buffelstontein Gold Mining

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#### TRADE FAIRS, **EXHIBITIONS** & CONFERENCES

**考**先にONFERENCES

SEPTEMBER 24 Fiancing Hotels and Leisure Property Conference at the London Marriot Hotel, Grosvenor Square, London W1. Contact: Lucy Lloyd, Henry Stewart Conference Studies (071-935 2382)

SEPTEMBER 27-28 The UK Buy-Out Conference 1990 - London Tura Hotel, Kensington, Contact: Louise Warde, Business Research International Ltd. (071-637 4383) LONDON

OCTOBER 3 Taxation of Unit Trusts - The New Rules, Portman Hotel, London W1. Enquiries: Oracle Business Information

(071-792 3105) LONDON

**OCTOBER 17** International Retailing; a one day Conference at Queen Elizabeth II Conference Cenura, London SW1. £295 + VAT. For further details ring Verdict Research Limited.

(071-404 5042) LONDON

OCTOBER 17

First European Conference Of Generic Risk Hotel Inter-Continental, London W1 Contact: Technology Forum Ltd (681-900 1555)

LONDON

**OCTOBER 17 & 18** Life Office Taxation - The New Rules - Problems and Opportunities, Royal Garden Hotel, London W& Enquiries: Oracle Business

(071-792 3105)

NOVEMBER 7-9 How to obtain Long-Lasting & Profitable Agreements with Japanese Companies (Ref 1050A). Mariborough Crest Hotel, London Price \$37/0. Contact Prom & Sullivan Helpdesk. (071-730 3438) Fax: 071-730 3343 Also available as an In-House

presentation. LONDON **NOVEMBER 9-10** 

The U.S.M. Magazine presents:-The Price Waterhouse Internations Second Market Conference at the Queen Elizabeth II Conference Centre, London, Contact Susie Hall (071-606 2021)

**NOVEMBER 13-14** International Conference on the Automotive Industry and the Environment at the continental Hotel, Geneva. (44-71224 1876) GENEVA

NOVEMBER 16

Futures and Forward Markets, Swaps and Options. Which Way Forward. The Institute of Petroleum, London Contact: Caroline Little (071-636 1004) LONDON

NOVEMBER 22-23

Integrating Financial Policy & ess Strategy, Ref (1050) Holiday Inn, London Price £875. Contact From & Sullivan Helpdesk (071-730 3438) Fact: 071-730 3343 Also available as an In-House

LONDON

NOVEMBER 28-29 Fundamentals of Finance & Decision-Making for Sales & Marketing Directors & Managers Ref 981A) Royal Westminter Hotel, London. Price £750. Contact Frost & Sullivan

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#### **CONTRACTS & TENDERS**

**INVITATION NO T-01/83** 

The peoples Democratic Republic of Ethiopia has received a loan from the African Development Fund in various currencies towards the cost of Fload Maintenance. Equipment and spare perts and it is impended that the proceeds of the loan will be applied to eligible payments under the contracts for the supply c. equipment and spare pacts.

The Ethiopian Transport Construction Authority now invites seeled bids from eligible bidders for the supply of Road Maintenance equipment and spare parts. Only Suppliers from member countries of the African Development Bank and African Development Fund state participants are eligible to bid. All Goods and arcellary services must have origin from member countries of ADB and ADF State participants. Interested eligible biciders may obtain further information from one set of bidding documents to be collected during office hours from the Procumentent. Office Room No 106 upon payment of non-refundable Birt 50.00 per set. Each request for documents shall be accompanied by the Official name and

The closing date for submission of bids shall be 10000 hours local time on October 2, 1990 at which time the opening will take place in the Conference Ross 4th floor of the Ethlopian Transport Construction Authority Head Quarters Building.

The Ethiopian Transport Construction Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications

ETHIOPIAN TRANSPORT CONSTRUCTION AUTHORITY

An artist's impression of the Channel Tunnel rail passenger terminal at Waterloo Station

£98m construction management contract has been awarded to the P&O company BOVIS CONSTRUCTION by British Rail to build Waterloo International, the new London terminal for rail passengers using the Channel Tunnel.
Enabling works have already
started on the 126 week project
which will provide a spacious
airport-atyle arrivals and
departures building capable of
handling up to 6,000 passengers

When completed in May 1993, the glass and stainless steel clad terminal building

A £1.7m contract has been awarded by the London Docklands Development Corporation (LDDC) to PERCY BILTON for the widening of the West India Dock Road, on the

western approach to the Isle of Dogs.
Work on the project, which
will result in a dualling of

West India Dock Road over a

sengers will be under cover at all times.

The terminal is being built on two levels to avoid conges-tion. London-bound passengers will come in to Waterloo Inter-national at street level and a higher level entrance and concourse, complete with passenger lounges, restaurants, bank and other amenities will be provided for outgoing passen-

For Bovis Construction the project involves a large degree of pre-planning and co-ordina-tion to minimise the disruption to the existing station, which has more than 50m passengers a year. To accommodate the

five new platforms required for the international terminal, demolition of Waterloo's six demolition of Waterloo's six Windsor line platforms is now nearing completion. To replace them two new Network Southeast platforms have aiready been opened and two more are due for commissioning in

Re-organisation of the entrances and exits to the sta-tion's London Underground lines is also under way to protines is also under way to pro-vide the extra space required for the terminal. The labyrinth of arches beneath Waterloo is being cleared and some arches demolished to create more space for the new structure.

Improving access to the Isle of Dogs Rich Street and Ming Street, is expected to start in September, with completion due in early

December.

Westferry Circus. Work began on the three and a half year Limehouse Link project in November 1989. The scheme will connect at its southern end with the LDDC's Limehouse Link contract, part of which involves the widening of the remainder of West India Dock Road and the contract. At its Northern end, the widening scheme will join work to improve the junction of West India Dock Road and the Al3 Commercial Road/East India Dock Road under an anticipated £1m contract for the Department of Transport. the section of Westferry Road

HI-Spec structures for HI-Tech ladustries Crenden Structures Ltd. Long Crenden, Aylesbury Bucks. 1978 988. Tel: Long Crenden (1844) 208481 Favr 1984 n. 201822 Telesc. 182249

هكذا من الاجليج

#### CONSTRUCTION CONTRACTS £75m batch for Lilley companies

Companies in the LILLEY GROUP have been awarded contracts totalling £75m over

the last four months. Orders were received by: Lilley Construction, £26.3m, including several petrochemi-cal contracts; Eden Construction, the group's north of England operation, £12.3m; MDW, the Glasgow-based building arm, \$11.8m, including a \$4m building contract for Boots; Robison & Davidson, the Dumfries-based building arm £3.7m; Henry Jones, the south of England building arm, £7.5m, including a £3.7m con-tract for Barwell Business Park; Standen, the Nottingham-based house building com-pany, 25.4m; the recently acquired Hatfield Group, 23.1m.

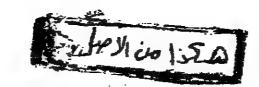
BEAZER CONSTRUCTION LONDON has won a £7.8m contract to build an office block in Tottenham Court Road. The project, on behalf of Carlton Construction & Development Co. a subsidiary of London Merchant Securities, involves the approximation of the care of t the erection of a six-storey office block together with retail accommodation in lower ground and at ground floor level. Additional works are located in adjacent Whitfield located in adjacent Whitfield Street, which involves the creation of a vehicle turning area Work is due for completion at the end of September 1991.

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## My Children! My Africa!

Athol Fugard's My Children!
My Africa!, which opened at
the National Theatre last Thursday, has flashes of brilliance every 20 minutes or so, but some family flatters or so. but some terrible flatnesses in between. The performance runs for nearly three hours

including the interval including the interval.

There is one necessary caveat in anything that one says about it. The play was first shown at the Market Theatre in Johannesburg in June last year and was presumably written some time before when Mr P.W. Botha was still President of South Africa and Mr Nelson Mandela Africa and Mr Nelson Mandela was still in prison. in no way

does that invalidate the work, but it does cast a shadow over it. An audience will wonder unavoidably what Fugard would be writing now in the light of recent changes. There are other, more sub-

stantial reservations. Fugard made his name writing for a small, intimate stage. His plays also have few characters. One of the best, Blood Knot, has only two. My Children! My Africa! has only three. The actors talk directly to the audience of the control of th ence, looking them in the eyes. It is is not clear that this approach stands up to exposure on the relatively large

Nevertheless, the play starts on a high note. A black teacher is presiding over an inter-school debate where a white girl and a black boy are dis-cussing the motion whether women should be treated dif-ferently from mer. ferently from men

The parallel with blacks and whites is obvious enough with-out being laboured. There are some nice lines. "Now we come to the vote - but before we do the vote - but before we do
that a word of caution about
how to use it: only one hand
per person." I also liked the
comment on the audience at
the debate: "Anyone can talk
and argue, but they had to listen intelligently."

The play reaches this level of ironic comment and seriousness about two more times. boy and girl are engaged in a competition about English poetry of the 19th century, which is scored like a tennis match and is umpired by the Another is much later when

Another is much later when the teacher, besieged by the school boycott and riots, takes to writing elementary principles of education on the blackboard. By then, however, the riots and the violence have well and truly taken over. The promising black scholar does very little to stop, even if he does not directly participate in, the teacher's murder which the teacher's murder which takes place off stage.

All that happened in Port

Elizabeth, the area in which Fugard has always specialised, as it did in the rest of South Africa. Yet it seems unsatisfactory simply to record it now. The line of the white sire as events unfold. girl as events unfold - "This fucking country" - is pure bathos. There must be some more articulate comment than

My Country! My Africa! moves on shortly to a regional tour where perhaps the stages will be smaller.

There is nothing wrong with the performances by John Kani as the teacher, Lisa Fugard as the white girl and Rapulana Seiphemo as the boy. None of them deserves to be given such long soliloquies. Athol Fugard directs himself. The play could be cut almost in half.

Malcolm Rutherford



Rapulana Seiphemo, John Kani and Lisa Fugard

## Rostropovich

BARBICAN HALL

Matislav Rostropovich, who has been playing the cello before an audience for 50 of his 63 years, celebrated that extraordinary fact on Saturday, in company with the Lon-don Symphony Orchestra under Theodor Guschlbauer. The form the celebration

took was entirely characteristic of this most generous and tireless of musicians: a programme made up entirely of three callo concertos. Each was closely linked to

some feature of Rostropovich's career. The Saint-Saens First was the first he ever played in a concert hall; the Shostakovich First is perhaps the most famous of the many pieces he has inspired for his instrument from important 20th century composers; and the Second (1989-90) by Rostropovich's fellow Russian, Alfred Schnittke (receiving here its British pre-miere), shows that his power to

bring to birth enthralling new music is certainly not on the

Though the focus of the concert was inevitably on the new Schnittke, after the interval, there should be at least a brief word about the other performances. The Saint-Saëns was pure delight – ardent, lyrically graceful, with none of the bearhugging over-enthusiasm that can beset Rostropovich readings of less "significant"

In the Shostakovich, one sensed the orchestra's unfamil-larity with Guschlbauer's beat (he is a well-respected Viennese conductor particularly active in France). There was a disparity between the soloist's leonine rhythmic vitality and the other players' caution; the result was to produce great moments rather than blazing

The new Schnittke concerto

is large in conception, darkly brooding in execution, a work of fierce intensity not quite this composer's most striking and powerful achievements, one senses an anguished per-sonal "programme" to the musical form and sound-world that has not been (and need not be) spelled out in public.

The cello speaks its first thoughts (solo) and also its last (above a soft, deep orchestral pedal); both are stamped with the interval of a tritone, that timeless symbol-in-notes of spiritual disquiet and discord. The earlier movements lay out the grounds for disquiet swirling, highly dissonant allegro followed by fugitively poetic lento (to which the three keyboard instruments, harpstchord, plano, and celeste, add

the characteristic Schnittke

signature, part-ironic, part-deadly serious).

kind of interpreter of events; at mid-point, when the brass introduces a Christian chorale (which looks back to Bach and, dramatically at least, to Berg's Violin Concerto), the interpreter becomes a Doubting Thomas, weaving chromatic question-marks around the incursions of C-minor tonality.

The whole work seems to pose a "situation" of terrible

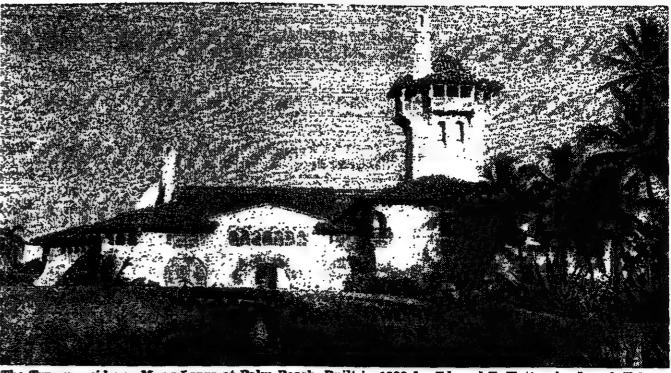
The cello always acts as

personal crisis followed by incompletely discovered tran-quility. Whether this was, indeed. Schnittke's purpose matters perhaps less than the fact that he has written a massive new cello concerto of sear-

ing dramatic impact.
It tests Rostropovich's virtuosity to the utmost; other leading cellists will no doubt be lining up to test themselves

Max Loppert

#### ARTS



The Trump residence Mar-a-Largo at Palm Beach. Built in 1926 for Edward F. Hutton by Joseph Urban

#### **ARCHITECTURE**

## 'No caprices of the geyser' here

Colin Amery reviews two books on the American country house

ferred to Mr Hewitt's rather ponderous architectural tome.

There is no doubt that Hewitt

has done his research and is devoted to the rediscovery of whole schools of regionally

based architects of mixed merit. But it is Aslet who tells

It is an amusing and enjoy-able account of moneyed ideal-

ism. The ideals were largely those of pleasure, comfort and sport. The Vanderbilis at Bilt-more begin the tale and their chateau in the North Carolina

hills designed by Richard Mor-

ris Hunt is the closest example

in America to a grand Euro-

pean house with an estate. There were a few houses like this in America built by fami-

the land - rather like the clutch of 19th century Roths-

many ways they were more like grand private hotels built for show. The American rich did not build to achieve isola-

tion. The gregariousness of the American character resulted in the family compound in the country, the close clustering at

Newport and in many cases in the almost suburban collec-

tions of houses in Palm Beach, the Hamptons and the Pocan-

Aslet is very good on the characteristics that distinguish

American houses from those in

other countries - the interest in total comfort and the value

of good plumbing. As one cli-

the detailed descriptions and illustrations of the develop-ment of labour saving devices

is intriguing. I am fascinated by the detail of domestic life

and there is so much new

material here to enjoy.
It was right for Clive Aslet to

concentrate on a few houses that are paradigms and his

tino hills.

with no real connexion to

the better tale.

try houses seems to know no bounds. The social and architec indeed peremially fascinating but Yale University Press must be pushing their luck by pub-lishing two books on precisely the same subject at the same

It is true that the country house in America was clearly bound to be the next target for critics and historical analysts but surely two major works at the same time smacks of over-

Clive Asiet is the deputy editor of the British magazine Country Life, and he recently wrote a book about the last country houses to be built in Britain. His book is a highly readable and instructive account of the absorbtion into America of the European idea of the country house as a cen-tre of civilised values expressed, often on a grand scale, in terms of architecture, furnishing and gardens. But it has to be pointed out that the American country house is really nothing like the British

America and Europe is that American country houses are practically never supported by the estates upon which they stand. They may have a feudal character with their farms and sometimes even villages, but they are mainly the products of fortunes made by the indus-trialisation of America. They were built as places of retreat and pleasure by families who had become rich in the cities. They are emphatically not what Mark Girouard called the English country house, and that is "power houses." In the Reagan years that was a great revival of country house building, often on an impressively lavish sale. In recent years there was scarcely an architect's office in New York, Chi-cago or Los Angeles that was not building a new country house. Drawing boards were full of French chateaux and English Georgian houses. It was in those years of conspicu-ous consumption that one of the great houses of the 1930s in Palm Beach, Mar-a-Lago, described here by Mr Aslet, had a recent lavish renaissance as one of the homes of Donald

and Ivana Trump. Both books cover approxi-THE AMERICAN mately the same period of country house building in America from 1865 to the 1940s. COUNTRY HOUSE by Clive Aslet To Europeans all this building happened so recently that sometimes it is hard to take the art historical analysis too seriously. I think this is why Mr Aslet's book is to be pre-Yale University Press £22.50, 302

THE ARCHITECT AND THE AMERICAN **COUNTRY HOUSE** by Mark Alan Hewitt

Yale University Press £35, 312 at Winterthur is particularly revealing. Henry du Pont's extraordinary creation is now a museum of the decorative arts, famous for the collection of period rooms that du Pont

embled. The house grew in an architecturally unsatisfactory way, with du Pont giving a shopping list of the things he wanted to a Mrs Benkhard the president general of the Colonial Dames of America rather in the way that a mil-lionairs today might commis-sion a decorator to do the shopping. Aslet is not so good writing about gardens - he talks of the "soft colour harmowoman known for her enthusiasm for strong colours in the garden and her love of dahlias

I enjoyed the picture of life in the log cabins built by the rich for their hunting trips and

BBC Philharmonic

and red bot pokers.

Aslet paints an amusing picture of Sigmund Freud as a guest in a hut in the Adirondacks. Aslet is anecdotally rich and the book spins along to an inconclusive and abrupt end-ing at the great fantasy house of Viscaya in Biscayne Bay, Florida. Is this house the great work of art it claims to be? I remember thinking it an oddly eerie place which had never really enjoyed any life on its terraces and in its salons. On the brink of a cultivated Dis-

neyland perhaps?
The second book by Mark Hewitt has superb photographs by Richard Cheek and will be useful for its encyclopæedic coverage of eclectic architects and their creations. It deals with modern architects such as Frank Lloyd Wright and looks in some detail at the manifestations of the modern movement in the American countryside.

Undoubtedly worthy and useful, but it is not nearly as enjoyable as Mr Asiet's canter around the glories and the follies of the rich American toying with architecture and his own brand of American coun-

try life.
The publishers in their should surely have provided us with a good map of the regions of the states that are richest in country houses to help visitors who want to get beyond this armchair view of an enormous

hour the piece is still too long by at least one or two of its

numerous sections. There are

too many effects, not enough

evening. The contrast could hardly be greater, for here is a work in which not a note is

wasted. Over the span of the

concerto concentration is

worked up to a peak that reaches near breaking-point in the final passacaglia, a marvel-lously taut piece of writing that makes its effect even

when the performance is as

The bitter-sweet flavour of

## Margaret Price

Miss Price gave her Lieder recital on Saturday to a packed house, despite the absence from her programme of any really well-known Lied (or any song-cycle). The composers were the old favourites -Schubert, Schumann, Brahms; but they were represented by songs more likely to be found winking from the corners of a recital than constituting the

whole menu. No doubt Miss Price's accompanist Graham Johnson had more than a little to do with that, tireless advocate of neglected songs that he is. If he has his way, singers and their pianists will be rediscovering

The Financial Times

proposes to publish this

survey on:

21st September 1990

and learning several more songs every week. In radiant voice, the soprano betrayed relatively short acquaintance with some of the

She applied no all-purpose manner, but strove to capture the essential sense of each Lied in its own terms. The fact that her voice is a

songs only in the occasional misread word (she sang from the printed music throughout).

dangerously powerful instru-ment for some of the gentler numbers here was kept nicely disguised: there was just the odd hint of a throaty push at the start of an ascending phrase - and a touch of the Valkyrie in "Meine Liebe ist grün," which was her second encore. Her first, "Der Tod, das ist

die kühle Nacht", had been lovely without flaw, exquisitely modelled and suspended. In her official Brahms earlier, ahe had even suggested that the difference between the vocal writing of Brahms and of Richard Strauss has been much exaggerated, and at the time one was happy to believe

Six of Schumann's Kerner songs were delivered with thoughtful tenderness, ending the first half of the programme most polgnantly with "Stille

Tränen"; and the second half of the programme began with a Schumann set which is almost completely ignored, his op. 36 Aus dem Liederbuch eines Mal-

It is no match for his famous It is no match for his famous cycles from the same year, but Miss Price did ample justice to its various pretty ideas.

Everywhere, Johnson abetted her admirably. One had some doubts about his wayward, fluttery treatment of the aerene chord-flow in Schubert's "im Freien," but one shouldn't onibble about any aeromanist.

quibble about any accompanist who has so much imagination.

David Murray

#### ent said, there were to be "no caprices of the geyser." The servant problem assumed dif-ferent dimensions in the more democratic United States, and its most intriguing feature. The In that respect it was unlucky to be followed by Brit-ten's Violin Concerto the next

The loss of Krzysztof Penderecki as the conductor of Friday's Prom robbed the BBC Philharmonic Orchestra's pair of concerts at the weekend of

Polish composer was scheduled to conduct both a major piece of his own and the rest of a programme which included standard orchestral favourites by Sibelius and Dvorák.

Instead Rudolf Barshal, already due to conduct on Saturday, took on the previous night as well. With presumably less rehearsal time that he might have liked, Barshai drew might have liked, Barshai drew careful and well-balanced playing from the orchestra in both programmes, though that in itself was not enough to make the performances come alive, as a flaccid account of Dvořák's "New World" Symphony testified. What, one wonders, would Penderecki have made of that?

In the event, the main interest of these two concerts lay rather in the 20th century concertos that formed the centre-piece of each evening. On Friday the work was Penderecki's Second Cello Concerto, which kept its place in the programme despite the indisposition of its composer. This dates from 1982 when Penderecki was still hankering after neoromanticism, as evidenced in the lyrical cello part, sensi-tively played by Karine Geor-

gian.
The score is in the form of a single, long movement. Wisely, it helps the listener out by giving him clear signposts as to where he is in the structure and also has a fine array of novel sounds passing by to revive interest whenever the attention seems likely to flag on the way. But at over half an

the music is typical of the 1930s and it does not need the sweetness to be squeezed out drop by drop, as the soloist Ernst Kovacic was inclined to do. His heart was in the right place, though, seeking to make the violin spin expressive lines wherever possible, and the conductor helped him by keeping the orchestra down. The more one hears this piece, the higher

slack as this one was.

century concertos.
The slow speeds that predominated in the Britten (the finale was desperately limp) seemed to come from Barshai His performance of Prokofiev's Fifth Symphony was better on that score, but even then it was disappointing that a prac-tised master of the Russian repertoire should let his grip on the music slacken so often. The BBC Philharmonic sounded like a good orchestra on a loose rein and solo playing from its ranks provided some compensation on

Richard Fairman

#### ARTS GUIDE MUSIC, OPERA AND

DENMARK Hegisterd Office:

cert begins with Schumann's fourth symphony (Mon). fourth symphony (Mon).

Royal Concertigebouw Orchestra
conducted by Riccardo Chailly
in a programme which includes
Beethoven's first symphony and
Prokofiev's third (Tues).

London Symphony Orchestra
conducted by Michael Tilson

Thomas with Emanuel Az as soloist in Beethoven's first piano concerto. Other works include La Mort de Cléopatre by Berlioz and Janacek's Sinfonietta (Wed). BBC Symphony Orchestra conducted by Lothar Zagrosek perform the second symphony by Brahms and Webern's Six pieces

Royaumont Foundation Centre de la Voix organises musical Sat-urdays with Schoenberg, Donatoni, Ferneyhough and Huber visits to the Cistercian abbey (30353016). Théâtre de la Ville. Karine

Saporta's La Poudre des Anges brings hysteria and the subcon-

scious into the Saportian uni-

Amsterdem

The Cleveland Orchestra conducted by Christoph von Dohnanyi. Beethoven, Lutotawski. (Thur). Concertgebouw (718 345). Muziektheater. The Netherlands Opera with a new production of Providal directed by Klaus-Michael Gruber. Netherlands Philharmonic is conducted by Hartmut Haenchen, with Barry McCauley in the title role. The National Ballet performs Memo-ries from Onderground (Van Der trig/Henze) and Requiem (Van Schayk/Morart) (255 455).

San Francisco Symphony Orchestra conducted by Herbert Blomstedt. Mozart, Nielsen and Richard Strauss (Tue). Palais des Beaux-Arts. Orchestre de Paris conducted

by Semyon Bychkov. Dutilleux, Shostakovich and Stravinsky (Wed). Palais des Beaux-Arts. With Ulf Hoelscher (violin). Mah-

with Oil Hoeischer (Violin), Maison ler and Mozart (Thur), Maison de la Radio, Théatre Royal de la Mounale. The Monnaie Opera in a new production of Verdi's Simon Bocconsora produced by Gilbert Deflo, staging by Carlo Tommaso, with Jose van Dam as Simon, Nancy Gustafson as Ame lia, David Pittsinger as Flesco. Sylvain Cambreling conducts the Monnaie Symphony (Wed).

and Thur). Testro Alla Scala (80.9128). Tentro Alla Scala, Rudoli

Nureyev's version of Suon Lake with sets by Exio Frigerio and costumes by Franca Squarciapi-no.isabel Seabra and Oliver Metz alternate with Isabella Gueri-Odile and the Prince. Nureyev dances the part of the magician Rothbart (20.91.26).

Teatro Regio. Festival set around Verdi's birthplace at Busseto opens with French translation by Emilio Pacini of Verdi's R Provatore — Le Trouvere, with the choir and orchestra of Opera de Paris and the Corps de Ballet from La Scala. Daniela Dessi, Elisabetia Fiorillo, Martine Sur-ais and Kristian Johannason are in the cast; conductor is Vjekos lev Sutej (218678).

and pianist Tzimon Barto in Rachmaninov, Glinka and Bee thoven (Wed). Testro Comunale (Testro Margherita) (599329).

Manfred Honeck (conductor)

Opera. A Ruggero Raimondi Lie-der recital with planist Edelmiro Arnaltes opens the week. Cosi fam nate in Gött Priedrich's production is sung by Angela Den-ning, Marlana Cioromila, Carol Malone, Alejandro Ramirez and Andreas Schmidt. Les Intermitences du Coeur is choreographed by Roland Petit and Bo Maurice Béjart. The Dresden Opera appears with Prokofiev's Die Liebe zu drei Orangen and

#### September 7-13 Elektra as part of this year's Ber-lin testival

Frankfurt

Opera. Iphigenic on Transide returns with Sylvie Brunet, Gregory Yurlsich, Christopher Robert son and Keith Lewis, conducted by Steven Sloane. The successful Die Nase production by Johannes Schaaf has a strong cast led by Alan Titus, Dieter Bundschuh and William Cochren. William Forsythe's ballet Limb's Theorem with returns.

New York Philharmonic conducted by Zubin Mehta, with Mstislav Rostropovich (cello). Mozart, Bloch, Tchalkovsky (Wed). Avery Fisher Hall, Lincoln Center (874 6770).

Washington National Symphony Orchestra conducted by Mstislav Rostro-

New York

connected by Mistaiav Rosulto povich, Key, Schuman, Copland, Mussorgaky/Kindler, Mussorg-sky/Ravel (Wed). Concert Hall, Kennedy Center (467 4600).

Japan Philharmonic Orchestra conducted by Naoto Otomo. Tak-emitsu, Sibelius. Bunkamura, emissi, Sheems, Binkamura, Orchard Hall (Tues) (477 4244). NHK Symphony Orchestra con-ducted by Yuzo Toyama, with Yuri Bashmet (viola). Haydn, Brahms-Berio, Schnittke, Proko-fiev. NHK Hall (Wed, Thur) (465

1781). Shinsei Mikon Orchestra conducted by Naozumi Yamamoto. Takemitsu, Gershwin, Copland, Bernestein, Bunkamura, Orchar Hall (Thur) (477 4244).

#### 5th Soho Jazz Festival

The HongkongBank is the main sponsor of the 5th Soho Jazz Festival, to be held from September 27 until October 9. supported by more than a dozen companies and Westmin-ster City Council.

Among the main events in the festival are a Cavalcade of Jazz 1990 concert at the London Palladium on September

30, the Courtney Pine Paradise Orchestra at the Empire Leicester Square on October 7, guitarist Joe Pass at Ronnie Scott's Club, plus the bands of Humphrey Lyttleton, Monty Sunshine, Tommy Chase and Stan Greig, all at the 100 Club, Oxford Street.

Details of the festival from

For a full editorial synopsis and advertisement details, please contact Chris Schaanning 071 873 3428 **Kirsty Saunders** 071 873 4823

> Number One Southwark Bridge London SEI 9HL

or write to them at :

or in Copenhagen:

Mikael Heinio, Financial Times, Ostergade 44 DK-1100 Copenhagen K Denmark. Tel (33) 134441 Fax (33) 935335

FINANCIAL TIMES

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The Dissection annotated on 29th August 1990 to pay the leftlewing additional divisions for the year 1995-1990: United Kingdom P £0.01 per sisen (divident 20.3) Studior Gib Pacifolio Japan Smaller Companion Perticli (fermedy the Yea Predictio) 20.01 per sham (dividend 10.4)

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BALLET

PROMENADE SEASON AT
THE ALBIET BALL
Royal Concertgebouw Orchestra
conducted by Riccardo Chailly
with Jard van Nes and Gosta
Winbergh as soloists in Mahler's
Das Lied von der Erde. The con-

Orchestre National de France conducted by Charles Dutoit, with Martha Argerich (piano), Radio France Choir (Thur) (47203637). L'abbaye de Royaumont. The

concerts on Sept 8 and 16, Handel concerts on Sept 23, 29 and Oct 6 combined with lectures and

Myung-Whun Chung conducting Weber, Bruch and Berlioz (Wed

#### **FINANCIAL TIMES**

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Monday September 10 1990

## **Common front** in Helsinki

THE JOINT statement issued by President George Bush and Mr Mikhail Gorbachev after their one-day summit in Hel-sinki is a confirmation that the international front formed in the wake of Iraq's annexation of Kuwait remains solid. In spite of the attempts by President Saddam Hussein to drive a wedge between the two superpowers, Mr Gorbachev has demonstrated unequivocally that he is staunchly on the side of the US and the other states who are trying to force Iraq to relinquish its ille-

Disagreements may persist on whether and when military force would have to be used to achieve this objective or how the decision to use such force should be taken. But, on the central issue, there is no ambiguity. The US and the Soviet leaders agreed that Iraq's aggression must not be tolerated and that no peaceful international order was possible if larger states could devour their smaller neighbours.

Their declaration is couched

in particularly strong terms. It says they will accept no Gulf settlement "short of the comsettlement "short of the com-plete implementation" of the United Nations Security Coun-cil's resolutions calling for Iraq's withdrawal from Kuwait. Equally important, they call upon all countries in the world fully to adhere to the UN sanctions against Iraq fol-lowing the invasion of its neighbour last month. neighbour last month.

However, behind the com-plete agreement on political objectives and on the need for the strict application of international sanctions against Iraq, it is clear that both sides had to make concessions to achieve unity. Mr Gorbachev put his name to a text stating that, if current steps to bring Iraq to heel fail, "we are prepared to consider additional ones consistent with the UN charter."

Use of force

What those additional steps would be is not specified. Mr Bush, like Mrs Margaret Thatcher in the Commons debate on the crisis last week, does not rule out the use of force in the last resort. They believe that article 51 of the UN Charter already gives them that legal right in the defence

of a country which has been the victim of aggression. Though they have not said so publicly, many of Mr Bush's advisers believe that the use of force will probably prove inevitable in the long run.

#### Political solution

In spite of subscribing to the possible adoption of "additional steps", the use of force is plainly not something that Mr Gorhachev is seriously contemplating. It would lead to unpredictable results, he said, emphasising much more strongly than the US President that the color of the co that the crisis could still be solved by political means.

The military option is there fore a continuing issue of disagreement and Mr Bush was right not to press the point in Helsinki for fear of spoiling the atmosphere of co-operation and support and giving comfort to Saddam. But it cannot be swept under the carpet for long and will surely have to reap-pear on the agenda of the next meeting between the two lead-ers, possibly as soon as the end of this month in New York.

Mr Gorbachev has been duly rewarded for his support with a promise by Mr Bush that he will recommend to Congress
"the closest possible economic
co-operation" with the Soviet
Union, including, notably, the
use of advanced technology for boosting Soviet oil production. Yet Mr Gorbachev must be aware that the cost of sending a vast military force to the Gulf will seriously restrict the US's capacity to grant economic aid to his country. The Soviet leader also came

ay with an undertaking by Mr Bush that the US is ready to work together with the Soviet Union and "other countries" to develop a regional security structure in the Middle East once the Gulf crisis has been resolved. Vague as the wording of the statement might be, it is the farthest Washington has gone in agreeing to associate the Soviet Union with peace efforts in the

Mr Bush and Mr Gorbachev have not solved the crisis caused by Iraq's invasion of Kuwait. But their demonstra-tion of continued superpower solidarity has boosted the chances that Iraq will ultimately be forced to back down.

## Mrs Thatcher's long haul

ONE side-effect of the crisis in the Guif is likely to be the postponement of a decision on the date of the next British general election. There is no constitutional obligation to dissolve Parliament before June 1992: the principal concern of any British Prime Minister is to choose the most auspicious day from the governing party's point of view. This is rarely the last possible date, since hanging on during a time of uncopularity can provide ammunition for the Opposition. Voters have become accustomed to a have become accustomed to a four-year cycle, following the Conservative victories of 1983 and 1987. Mrs Margaret Thatcher herself might derive particular pleasure from a fourth triumph within the associated with her name. Yet from the Tory point of view the arguments in favour of waiting until the spring of 1992 are becoming stronger.

First, the Gulf crisis is no Falklands war. The latter was a British enterprise. It rallied the nation behind Mrs Thatcher's previously untested leadership. The Conservatives might have won in 1983 without the impetus of the victory over General Galtieri, since the Labour opposition was at that time in disarray, but there is little doubt of the positive impact on Tory fortunes of the Falklands factor. There is no such factor in evidence today. The effort to dislodge Iraqi forces from Kuwait is American-led, with United Nations backing. Britain has a voice as one of the five permanent members of the Security Council but its vale is assentially cil, but its role is essentially subordinate. The political leader whose fortunes are most closely tied to the course of events in the Gulf is President Bush, not Mrs Thatcher.

#### Labour better-placed

A second consideration is that the Labour party is stronger, and better-placed, than at any time since Mrs Thatcher became Tory leader. Mr Neil Kinnock continues to mature. Last week he twice exercised his now firmly-established mastery over the left - on Tuesday, when he addressed the Trades Union Congress in Blackpool, and on Thursday in the House of Commons. He sought to demonstrate in the

first speech that a Labour gov-ernment would not be in thrall to the unions, and in the second that Britain's support for the US-led actions so far taken in the Gulf would have been as steadfast had he been Prime Minister himself. He was less verbose, and consequently more effective, than on similar occasions in the past. His attacks on the Government's economic performance, and especially on the "wasted eighties" are beginning to acquire a resonance familiar to those who remember the Wilson attacks on "13 wasted years" in the run-up to Labour's 1964 election victory. Since this year's opinion polls have consistently put Labour well ahead of the Conserva-tives, Mr Kinnock will have had little difficulty in convinc-ing himself that he is a poten-tial winner next time. His mantial winner next time. His man-ner of conducting business has become in consequence more like that of an alternative

#### Retter times

The upshot is that the Tories depend more than ever on a return of economic optimism. The evidence of most past elec-tion campaigns suggests that if voters feel that a period of relative well-being lies ahead, they will support the government of the day. This "feel good factor" enabled the Conservatives to recover from mid-term troughs in 1983 and 1987. As Chancellor of the Exchequer, Mr John Major's task has been to arrange better times ahead of the next polling day in order to recover from the trough that was perhaps at its nadir in April, immediately after the April, inimediately after the introduction of the poll tax in England and Wales. A cut in interest rates, followed by lower mortgages, and best of all accompanied by a reduction in increase the would be the in income tax, would at the least severely dent the Labour lead; achieved at the right time such a package could save the election for the Conservatives, however doubtful its merits on other than political grounds. The difficulty lies in finding the right time. Political fine tuning may have seemed possi-ble before the invasion of Kuwait; now, as with all other gambles in every kind of mar-ket, the prudent option is to

outh Africa's first black ruler will face a grim truth: that there are tougher problems to solve than apartheid.

For when racial segregation has gone and white supremacy is a thing of the past, the post-apartheid government will be left with a development burden of daunting proportions. Activists expect victory to yield immediate economic benefits: the Freedom Charter, the African National Congress's chief policy document, promises "houses, security and comfort" for all. It guarantees that "rest, leisure and recreation" shall be universal rights, not to mention plentiful food, low rents, free medical care, transport, roads, lighting, playing fields, creches, social centres... its bounty is unlimited.

But with the best will in the world — and the soundest economic policies — any new government looks doomed to frustrate these expectations. South

to frustrate these expectations. South Africa's undereducated population lacks the skills needed for economic revolution along Far Eastern lines. And over the next generation, the sheer weight of numbers will depress efforts at economic upliftment: by 2010, South Africa's 1980 population of 29.1m will have nearly doubled to 59.7m, according to recent research

ness-funded policy institute.
It is far from clear that the postapartheid economy will be up to the task of housing, educating and employing nearly 60m people; black South Africans may find that life after apartheid remains a struggle.

The first post-apartheid government will inherit a country where, in the words of the authoritative Second Carnegie Inquiry into Poverty and Development in Southern Africa, pub-lished last year, "poverty is deep and widespread and... the degree of inequality is as great as in any other country in the world." For a nation as advanced as South Africa — the World Bank classifies it as an upper middle-income developing country the extent of poverty is striking.

The charity Operation Hunger esti-mates that rural incomes average R50 (£10) a month, and that between a quarter and half of rural children are stunted by malnutrition. And accord-ing to the South African Institute of Race Relations, the majority of Afri-can households in many areas live below the "household subsistence level," an estimate of the cost of food, clothing, fuel, cleansing, rent and transport for an African family of six. The gap between white and black incomes further emphasises black deprivation: according to the Univer-

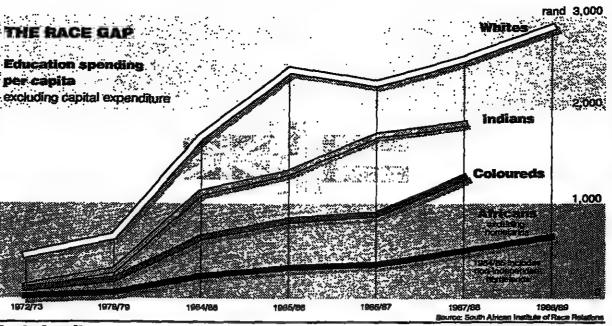
sity of South Africa's Bureau of Market Research, white personal income averaged nearly 10 times black income in 1987 (R13,242 against R1,393). And though black incomes have risen more than white incomes in recent years - from 1985 to 1987, the Bureau estimates white real incomes fell by 8.5 per cent while black incomes rose 5.4 per cent – whites still received 57 per cent of total personal income in 1987, though they made up only 14 per cent of the Apartheid has ensured that state

spending on social services is similarly skewed. Government spent R2,882 per capita educating whites in 1988-89, and only R656 on blacks (excluding capital expenditure). White pensions were set at R251 a month in the last budget, while blacks got only R150; health spending is equally distorted. And while whites are all at least decently housed — South Afri-can cities boast some of the most luxurious suburbs on earth - more than 7m non-whites live in shacks. By 2010, the Urban Foundation forecasts 20m new urban people in South African cities; housing, educating and healing them would be a strain even at cur-rent spending levels.

The cost of introducing parity between races in education, health and pensions, plus the cost of building

Pretoria's first black government will face huge problems in eliminating the disparities of racial segregation, writes **Patti Waldmeir** 

## After apartheid comes the hard part



Cost of parity The cost of introducing parity at white benefit levels and addressing the housing needs of the poor (bn rand) 27.676 Social pensions 3,700 1.878 5,220 4.020 6.031 8,021 3,508 44,425

formal housing for the poor, has been estimated by Professor Servaas van der Berg of the University of Stellen-bosch at between R35bn and R44bn per year in 1986 rand - more than the total national budget for that year. He calculates that at parity, South Africa would end up spending between 18.8 and 21.6 per cent of gross domestic product on education, against an average of 2.9 per cent for other upper middle income countries.

Abolishing the senseless duplica-tions of apartheid would generate some savings: the new South Africa will not need 17 racially-based educa-tion departments, complete with Mer-cedes-driving ministers. Private sector research estimates between R10m and R20m could be saved in this way; but the cost of reorganisation might well consume that. Empty white class-rooms could be used for blacks: white schools had 368,000 vacant places last year, against a black shortage of 160,000 (excluding homelands). But in general, savings from abolishing apartheid may be small.

Defence spending should fall, as a

result of regional peace. But once again, the African experience is that the "peace bonus" tends to be small: the ANC may have some 10,000 for-mer guerrillas to employ. Oil imports should be cheaper without sanctions; and South Africa will gain access to suspended World Bank and International Monetary Fund finance. But the inevitable conclusion is the one drawn by Mr Simon Brand, chair-

man of the Development Bank of Southern Africa: "We don't have the resources for the kind of welfare state

Agassi's game

■ Young Andre Agassi, the

American tennis player, may not be everyone's cup of tea.

"This obnoxious little show-off", wrote our tennis

buff, John Barrett, only last

ing Meadow Park, is like

Christmas coming early for

Donnay, the struggling Belgium tennis racquets maker. Bernard Tapie, the French

entrepreneur, bought control

receivers two years ago after it was declared bankrupt, and

has been fighting to revive it since without much success.

choosing Agassi as a player with a future — and is giving him a reputed £600,000 annual

contract to endorse Donnay

racquets.
Just before the US open, the

tennis business pundits were shaking their heads at Dos-nay's rash investment. Agassi

has proved them wrong – and Taple and his general manager Guy Marechal triumphantly right for putting their money

on him.
In terms of the oxygen of

publicity the tennis trade

seems to need these days.

Agassi obliged early in the tournament by wearing black shorts and pink tights, spitting at the umpire, and using

But what a present it was for Donnay when the young rip played good tennis as well and took himself right through

Donnay's shares of the Euro-pean and US tennis racquets markets have fallen in each

to under 5 per cent. But after Flushing Meadows, Marechal's

declared ambition to dominate

four-letter words.

to the final.

He took a long shot by

of the company from the

we have been running for whites."
The level of social provision promised
by the ANC's Freedom Charter is simply out of the question.

earcher Mr Charles Simkins of the Urban Foundation points out that "in aggregate terms, in a number of areas of social spending, we're not that far off international norms." The problem, he says, are the system's internal distortions: "that's what must be restructured."

Mr Simkins believes that, with pri-

	Shorteg	e/Surply
	1980	2000
High level manpower Middle level	-263	-226
manpower** Low level	+ 290	+3,416
manpower***	+3,232	+4,748
TOTAL	+3.259	+7.936

vate sector involvement, Government can keep its spending on housing subsidies to the current 2 per cent of budget. Pretoria would stop building family housing and concentrate on making sites available for a modest sum; banks and building societies would do the rest. That would inevitably mean a proliferation of shacks; but according to private sector research, the cost of providing what

black unions define as "decent" homes (R40,000 apiece) would be R10bn a year to 2000.

Education spending, set at 18.6 per cent of the last budget, also could not increase substantially. Even some ANC educationalists accept this: they propose a system whereby white schooling would largely be privatised. with nearly all state funding going to non-whites. Mr Simkins, on the other hand, believes the solution lies in restricting access to secondary and tertiary education: "the best will make it, the others will not have those educational opportunities," he proposes, adding that "es people rise through the educational system they must pay for more education."

Everyone agrees that the current system is in crisis: "The new government, whatever its shape, is going to inherit a mess in education," says Mr David Maepa, a Soweto member of the National Education Crisis Committee. an ANC affiliate. Since Soweto schoolchildren rose up in 1976 against the use of Afrikaans as a teaching medium, schools have been the focus of the anti-apartheid struggle. A genration of urban children have had little or no schooling, and at the moment there is "literally no educa-tion taking place," says Mr Maepa.

Political disruption, coupled with rising pupil numbers, shortages and low morale among teachers, and poor facilities, has led to a high failure and drop-out rate. Some 58 per cent of candidates for last year's secondary school leaving examination failed, against 33 per cent in 1976; in Soweto last year, only 24 per cent passed.

Many blacks never reach the exami-Many blacks never reach the examination level: a quarter are believed to have had no schooling at all, while a further 40 per cent drop out before the fifth year. Half to 55 per cent of the adult black population is estimated to be functionally illiterate.

But simply spending more money on black education will not solve the problem. Spending has already risen sharply in recent years, with a further

problem. Spending has already fisen sharply in recent years, with a further 26 per cent increase in the last budget; the gap between spending on whites and blacks has narrowed from 20:1 in 1972-73 to just over 4:1 in 1988.80

1988-89. Educationalists say that much Educationalists say that much money is wasted through curruption and inefficiency. But Mr Brian Whittaker, an executive director of the Urban Foundation, highlights an even more serious problem: "The economy can't absorb the people coming out of the education system and the education system can't produce the people the economy needs to grow. Business says the products of the education system are barely employable or system are barely employable or trainable.

Statistics abound to illustrate the mismatch between education and employability. In 1988, some 80,000 holders of secondary school leaving certificates could not find jobs—a fact which demoralises younger brothers and sisters still at school. The chairman of South Africa's largest industrial group, Mr Mike Rosholt of Barlow Rand, pointed out in a recent speech that of 1,000 pupils ordering printers school, only eight. entering primary school, only eight eventually qualify in science and technology at tertiary level and eight in commerce. He quotes the following comparisons: per 10,000 population in Japan, 58 will take a first degree in engineering against 31 in the US and only 0.4 in South Africa.

Many leading companies say money is not the only problem: they cannot give away scholarships for technical education. Mr Rosholt narrates the experience of one company, which he does not name, which interviews 500 matriculants (school leavers) a year, all of whom could qualify for com-pany scholarships. So few are inter-ested in technical careers that only 14 scholarships have been offered in the past three years. He concludes: "The single most lim-

iting factor in the full development of (South Africa's) economic potential lies in the endemic, and growing, ahortage of skilled people at all levels, particularly in the technical field." Figures from the government's National Manpower Commission, illustrate the crisis: South Africa is illustrate the crisis: South Africa is expected to have a shortage of at least 228,000 professional and technical workers by 2000. South Africa, the world's leading mining nation, produces only 25 to 30 mining graduates a year, when it needs 100.

Unless that is done, though, it is difficult to see how the economy can grow rapidly enough to employ the millions of unskilled and semi-skilled workers who will come onto the mer-

workers who will come onto the market before the end of the cautury. The Commission projects unemployment among semi and unskilled workers at 8m by 2000. Informal sector employment will absorb some of them; but the problem remains huge.
Economists believe economic

growth of more than 5 per cent a year is needed to keep pace with labour force growth. Yet in the 1980s, growth averaged only 1.6 per cent per annum; and with the economy in recession, South Africa may be lucky to average 1 per cent growth for the period 1990-92. Sustaining growth of 5 per cent or more a year after that could prove a tall order.

On the eve of the post-apartheid era, policy-makers seem undaunted. "It's a generation's work to get rid of mass poverty in South Africa, and two generations' work to get average living standards up to white levels now," says Mr Simkins of the Urban Foundation. South Africa will do well to achieve so much so soon.

37 7 4

#### The snarling paper tigers

■ While waiting for a Gulf war to start, nearly 400 interna-tional journalists have started a war of a different sort at the US military's joint information in the Peninsula ballroom of the Dharan International hotel.

my correspondent sitting it out in the ballroom. Daily visits to American units in the desert, she reports, can accom-modate only a dozen journalists at a time. Competition for scarce hotel rooms, taxis, and information is equally keen.

When American congress-men showed up, to be filmed shaking hands with soldiers pouring off transport carriers from the US, a fist fight broke out between two television crews on the tarmac. "Animals, animals, the press are real animals," an army colonel said.

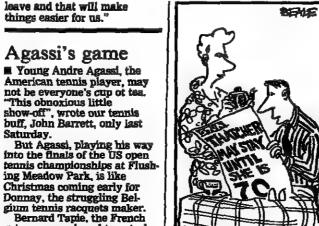
"T've never seen such a mean bunch," said a US Air Force captain responsible for dealing with the press. "They lie and sneak on buses. Some of them even try to bribe you. They keep revealing military loca-

tions."
Some of the journalists, perhaps with good reason, accuse the US forces of favouring American and particularly Pentagon correspondents. Meanwhile, they accuse each other of such dirty tricks as scratching out names on posted lists and withholding information from pool trips. The other evening a French photographer who had been passed over for a desert troop relieved his feelings by swearing at a US major. "Swearing at a US major. "Swear words don't sound any nicer with a French accent," one of the military press officers said, adding tartly: "The French send three boats to the College of the Education of the College of the Colle Gulf and 50 journalists." Another US officer was san-

guine that coverage of hostili-ties will be a self-levelling affair: "I guess when the war

starts a lot of journalists will

**OBSERVER** leave and that will make things easier for us."



"She's obviously just found

the world tennis racquet market within five years from now

#### Model man

It was one of Jaguar's first financial presentations in New York, following privatisation. And one of its investor native sons was clearly impressed. "Gee, that guy's straight from central casting", said the New Yorker, fascinated by the figure on the

He was referring to Graham Whitehead, now aged 62, the leading light of the National Association of Securities Deal ers (NASD), the British-American Chamber of Commerce, and, until the end of this month, president of Jaguar Cars' operations in North

If Jaguar had been able to design and build a president to project the image it wants for its cars in North America, it would have come up with precisely the figure of White-head.

After 30 years in the States,

## he remains most Americans' idea of the quintessential, well-bred, sporting English-man, moustached, quietly spo-ken, and with just a hint of

insiders at Jaguar insist that his departure is totally uncon-nected with the luxury car maker's takeover by Ford, and any culture clashes that may have arisen – even though Whitehead is following former chairman Sir John Egan out of the door. Whitehead, with 45 years'

service with Jaguar Cars and its predecessor British Leyland companies in North America, is reckoned to have been responsible for the sale of about 1m British cars. His successor is a colleague, Mike Dale, Jaguar's US sales and marketing boss since 1973, who is just seven years White-head's junior. "Graham felt that if he hung on too long, Mike wouldn't get the crack at the presidency he deserves", says one executive.

#### Lot of bottle

■ The British Institute of Innkeeping tells us in its latest newsletter that a "bottle beld by the neck has historically been a weapon at times of stress and confrontation". Many FT readers will have

heard something of the sort; probably picked it up from their butlers who heard it discussed among the chaps in the four-ale bar. Innkeepers are "increasingly alarmed at a trend" among

their customers of drinking their beer straight from the bottle. The fashion fad is known as, "drinking a label." The institute warns publicans: "Such macho style could contribute to potentially troublesome incidents."

#### Duck now

Americans are musing over names for a future amalgam-ated Iraqi-Kuwaiti state. A radio announcer has come up with "Trate". I prefer "Kuwaq".

## IS YOUR PHONE SYSTEM GROWING IN THE WRONG **DIRECTION?** The efficiency of your phone system is low.

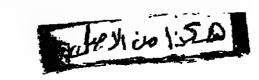
Even your staff can't tell where the money goes. Which is why a Telephone Management System from Systems Reliability is the only effective solution. It monitors your

telephone system 24 hours It shows your most costly dialled numbers. Highlights the amounts spent by each department calls (due to an engaged line) are costing you money. Clear and accurate reports let you check the performance of your network. To ensure both the company's image and network growth is profitably

What's more as your system grows, you maintain the ability to plan and make decisions to ensure it expands reliably. To move in the right direction - with one call - ring Systems Reliability now on (0582)
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y stems Reliability

Systems Reliability Plc, 400 Dallow Road, Luton, Beds LU1 1UR.



Moreover, the largest opera-tors there say that all new capacity is being filled virtu-ally as soon as it is provided.

Three years ago, for example, North Sea Ferries – a joint yenture between P&O of

Britain and Nedloyd of the

Netherlands — upgraded its existing services with £100m of investment.

It bought two new ships for the Rotterdam route and stretched two existing ones for

Zeebrugge. Both crossings have been turned into 12-hour,

"As a result, we have had an

with their wheels for the Hum-ber's links to Europe, avoiding

the M1's traffic jams and the struggle to cross London.

of the National Dock Labour

Scheme, which removed restrictive trades union prac-

The Channel Tunnel is se

their customers. It will only

60m tonnes this year. The picture then is bright,

notwithstanding hard-to-budge

concentrations of 20 per cent

male unemployment in the

peripheral areas of Merseyside, Teesside and Transide,

problems are structural; there are still too few industries and

too low a proportion of small

businesses. No one expects to solve this within a generation, but those with skills and jobs

The test will be how well the central, transpennine economic sogines of Greater Manchester

and West Yorkshire can carry the rest of the north if the Gulf

crisis causes a wider or deeper

downturn. Given the way the

north has been withstanding domestic pressures, they have been doing fairly well so far.

are usually doing well.

esside and Tyneside. The

growth is accelerating.

Following abolition last year

overnight mini-cruises.

Ian Hamilton Fazey reports on the reversal of regional economic patterns in England

## The north-south divide begins to close

omething strange is hap-pening to Britain's north-south divide. Where peo-ple spent much of the 1980s agonising over a seemingly widening gap in wealth and potential between the struggling north of England and the prospering south-east, the roles appear to be reversing.

Last month the Confedera-

tion of British Industry pub-lished the first of a new series of inter-regional comparisons which for the first time in recent memory showed more industrial capacity at work in the north than the south.

What is more, the current economic slowdown in the south - unlike on all previous occasions - has not automati-cally spilled over into the north-west, Yorkshire and Humberside and the

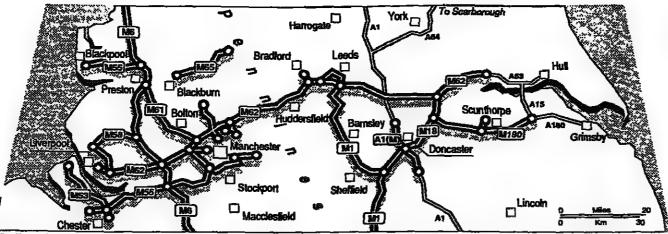
This is new. In the past, the temperature of the UK economy was regulated almost entirely by London and southeast England. Places such as Merseyside and Tyneside used to feel the glow from the south last and the draught of downturn first; the gaps between them widened progressively with each economic grafe. with each economic cycle.

Yet successive quarterly surveys by the regional chambers of commerce of northern England have shown that this old mechanism, while still evident, is nowhere near as pow-

The picture drawn has been of northern industry doing progressively more business each quarter, with more companies reporting rising levels of orders than falling ones, even in the most difficult areas. There has been some slowing lately, but there is still growth. Moreover, Mr Simon Sper-ryn, chief executive of Man-

thester Chamber of Commerce and Industry, says that his chamber's second quarter survey for this year showed a crucial difference between large businesses and smaller ones: those with a national spread of business, and much of it in the south, are doing less well than smaller ones seiling mainly in

northern regional markets. Part of the reason is not The result has been a rapid growth of merchant banking, hard to find. At consumer level, high interest rates have not had the same impact as in the south because mortgages are smaller. Wages have generally risen ahead of inflation, so that most northern people are still enjoying increases in net disposable income while enjoy-London for their careers



Northern industry's progressively improving performance has been aided by the well-developed east-west transport infrastructure

ing lower costs than those in London. Indeed, in some parts of the north, house prices are still rising. Mr Sperryn says that a new dynamic has been at work in the latter half of the 1980s,

with the survivors of the recession of 1980-82 doing well and new businesses working to better management standards.
"Because the recession hit our manufacturing base, we have done our restructuring," he says. "The new service-based economy of the south is only now beginning to experience

At the same time, what new service industries there are in the north appear to have a firm customer base among success ful business customers, Mr Peter Folkman, who runs North of England Ventures, a Manchester-based venture capttal fund, says that a process of "import substitution" has been under way, particularly in financial and professional ser-

These used to come from London, or the decision-making took place there. But even companies capitalised at £100m are small beer for London pro-fessionals these days. Indifferent service at too low a level in the capital created a demand from company chairmen for advice from experienced part-ners on their doorsteps.

legal services, accountancy and venture and development capital funds in Manchester and Leeds, with thousands of jobs created for the sort of people who in the past would automatically have emigrated to

Indeed. Leeds is experiencing noticeable flow of lawyers fleeing the London area for a better quality of life in York-shire. Taken together, these factors have swelled and fortified an already prosperous middle-class with a stake in regional success - an essential ingredient of long-term eco-

nomic growth.

Northern cities are also beginning to "export" profes-sional services back to the south. Even though commercial office rents everywhere in ism has also beloed strengthen ago, the now-abolished metro-politan county councils fol-lowed a lead by Merseyside to promote "buy local" cam-paigns. The idea was to buy goods and services — from paper clips to car fleets — from local suppliers, thus support-ing local jobs. Partly as a result, the regional economy is nowhere near as dependent as it was on the level of demand London and the south-east. Small businesses supplying

The Channel Tunnel is seen as an irrelevance by both North Sea Ferries and Associated British Ports

the north have risen from 28 per sq ft five years ago towards £15-plus today, the comparison is with £40 or more in London. Lower northern overheads enable professionals to charge lower fees. Some have even been able to undercut London prices in the capital itself, while others have been able to use modern electronic links to offer cheaper "back office" functions in the north to large southern-based companies.

This is showing up in sectors such as banking, lagal services and specialised accountancy work. Similarly, British Airways has established a large ticketing centre on Tyneside and British Telecom has set up a directory inquiries service for London in County Durham. Royal insurance has been able to create large numbers of new white collar jobs in Liverpool, its home town.

A strong sense of regional-

local markets have blossome It was in St Helens, Merseyside, that the enterprise agency movement had its birth in 1978 The first agency established the principle that what would be entrepreneurs need most is easy access to a combination of working capital and advice; supplies of both have steedily improved ever since steadily improved ever since. Some areas in the north have, however, done better

than others, and to assess whether all this can last it is important to understand why. A study produced three years ago by Mr Folkman and Mr Robert Toomey of 3i's Liverpool office found that the best breeding grounds for suc-cessful small business leaders are medium-sized companies where managements control their own fate. People at supervisory level learn techniques that equip them to start busi-nesses themselves, and thus increase the stock and variety of local businesses and jobs.

The parts of the north with
the widest variety of industry and commerce and the be spread of companies with up to about 200 employees are Greater Manchester and West Yorkshire. If Mr Folkman and Mr Toomey are right, these counties should be economi-cally strongest. Their chambers' surveys suggest they are.
The other important part of
the equation is infrastructure,

particularly the M62 motorway and the network of other motorways and major roads associated with it. Various links were completed only in the mid-1980s and there are still some missing, but the pic-ture is of strong east-west links of motorway standard. In the west, motorways run from Chester, Wirral, Liver-

pool, Preston and Blackpool, through Greater Manchester and West Yorkshire, to the Humber ports. Scotland, the north-east, and South and North Yorkshire, also feed in. All this means that the ports of Hull, Grimsby, Immingham, and Goole - and 40 wharves in the rivers Humber, Trent or Ouse - are now within four hours' drive of 40m people. With the growing importance of European markets, this means that if the northern economy really has success-

fully restructured itself, this should have started to improve the ports' own performance. Early indications are that it has done so. There was a 25 per cent increase in cargoes through the Humber ports in the latter half of the 1980s so that by 1969 they accounted for 16 per cent of UK sea trade.

*LOMBARD* 

## How to buy out the 'Nimbies'

By Samuel Brittan

r Nicholas Ridley once said something more memorable about his fellow countrymen when Secretary of State for the Environment than anything he has more recently said about the Germans. Criticising the way in which so many British citizens wanted economic development everywhere except where they lived, he coined the expression "Nimby", which stands for "Not in my back yard."
Indeed, Nimbyism is proba-

increase of 96 per cent in traf-fic in the last four years," Mr Jim Pybus, the company's spokesman says. About 1m passengers will be carried this year, while demand from bly the best one-word descrip-tion of all the British attitudes which make the country so dif-ficult to adapt to the end of the 20th century - why, for instance, towns and cities in northern France compete for additional freight-only services on the routes too. The conclusion can only be rail and building projects asso-ciated with the Channel Tun-nel, while places in England that people and shippers in northern, Scottish, and East Midlands markets are voting

fight not to have them. No explanation of the unexpected inflationary burst of the second half of the 1980s is complets without taking into account the extraordinary increase in house prices, which took the value of the housing stock to nearly £1,000bn or three times personal disposable tices in all ports, Associated British Ports, which owns most of the facilities, says that incomes. Macroeconomists can nitpick over whether the main effect was on inflation, unemployment, interest rates, regional disparities or a mix-ture of all; but it certainly proas an irrelevance by both North Sea Ferries and ABF -a view supported by many of duced large distortions. There is a legitimate worry that the next economic upturn will be handle 15m tonnes a year of freight when it opens. The Humber ports are heading for

clouded in a similar way. Three main culprits have been blamed for the distortions in Britain's property, and espe-cially residential, markets.

• Fiscal subsidies for owner-

occupiers, including not only mortgage interest relief but the exemption from capital gains taxation and the failure to tax property values.

Destruction of the privaterented market by previous rent controls and preferential tax treatment of owner-occupation. The Nimby network of very tight planning restrictions, which impedes development

and diverts finance into bid-

ding up values rather than new construction. Analysts on the radical right have concentrated on rent con-trols, while those on the radical centre and left on fiscal privileges of owner-occupiers.

The third syndrome has all too often been passed over in embarrassed silence.

But quantitatively Nimbyism is almost certainly the most important and long-lasting distortion. One indication is that land now accounts for 40 per cent of the cost of a typical new house in the southeast compared with less than 20 per cent two decades ago. The damage is not confined to housing as such. It takes 10 years from the design of a mile of motorway to its actual construction largely because of the time taken by planning and appeals.
It is, therefore, encouraging

that a former government adviser, Richard Ehrman, should have tackled the Nimby problem head-on in a pamphlet published by the Centre for Policy Studies\*. Mr Ehrman accepts that Nimbyism reflects the eyesore quality of so much new development. He suggests that developers should be Invited to compete for planning permission for small towns and account in the award. He also reminds us that large parts of the so-called green belt, especially near motorways, are really "brown land" which would actually benefit from development.

The root of Nimbylsm is surely, however, the effect on existing property values of new planning permission. This would be tackled by Mr Ehrman's most novel proposal: that those adversely affected by a new road, railway or urban development should not merely be fully compensated which they are not always at present - but receive a disturbance payment of 10 to 30 per cent above the present value of their homes, irrespective of

whether they move or stay.

The finance for these buyonts would come from the cash sale of planning permission for good clean money - instead of the promises to finance favoured local authority projects which are more usually demanded. A spot of good clean money instead of bad dirty power could work won-ders in providing incentives for a change in attitudes.
\* 8 Wilfred Street, London, SW1

ESPL, Nimbyism: The Disease and the Cure, £4.95.

#### TECs are worth it

From Mr W. Stanley Jones.
Sir, There seems to be a pervasive view that all Training and Enterprise Councils (TECs) directors complain to the UK Government of a shortage of funds and do little else.

The objective of creating TECs with private business-men on the boards was to use their management acumen which certainly extends further than their skill at obtain-ing government grants.

The present furors over funding is based on a compari-son of the costs of continuing

to meet existing services, which might or might not be appropriate in the medium to There are various problems

facing TECs at present including, inter alia: cutting through the middlemen to determine real need; organising TEC staff, given the present unique reporting structures; and com-missioning new computerbased systems.
Private businessmen on TEC

boards will contribute greatly to the future achievements of TECs and will cause the improvement process to be accelerated.

accelerated.

Generally the business community will support TECs increasingly when they see the results which will be achieved. Now is no time for faint-heartedness or backsliding — we tedness or backsliding - we all need better-trained people and the TECs will contribute significantly to providing

W. Stanley Jones, NEI Control Systems Kingsway Team Valley. Gateshead, Tyne and Wear

#### Eureka

From Mr Othar Amilakvari. Sir. Mr Bernard Keeffe com-plains (Letters, September 3) about the ludicrously slow process and high charges of trans-ferring small amounts of foreign currency by bank draft.
I have discovered something: the Post Office (at least in France) will do it, quickly, for

an insignificant fee. The only trouble is the queueing at the counter. How about the British Post Office? Othar Amilakvari, 75 quai André Citroen, 75015 Paris, France

#### What should be done about BT shares? ernment's shareholding is the

From Mr B.S. Pearson. Sir, May I add to Lex's com-ments about the rumoured sale of the UK Government's shares

in BT (August 21)?
The leading item on most people's hidden agendas for the duopoly review is: "What to do about BT, given that things cannot carry on as they are?" The manner and timing of the sale of the Government's shares in BT cannot sensibly be disengaged from the over-riding necessity to reform BT. Selling the shares simply to raise money for the UK Exchequer or to thwart any plans for re-nationalisation would be

quite unacceptable. The wise disposal of the Gov-

key to unlocking BT's poten-tial, which in my view will be achieved only by remedial sur-

eign, as an exercise aimed primarily at making BT proof against disaggregation. It also appears to be an exercise in tightening central control over the business with the reintroduction of a power structure and a corporate rule book rem-iniscent of the old General Post ment of state. It is important that the share

either by government, or by an

I am discounting the present reorganisation, Project Soveris the Government's 48.7 per

Office in its days as a depart-

sale be part and parcel of a coherent restructuring of BT

tuations in the price of their stocks of oil; but if the oil

stocks had been adjusted in

recent years for the average rate of inflation there would be

ment cost - which the compa-

nies are now arguing in the context of the discussion of

gradual appreciation which is clearly nonsense. Only an adjustment to replace

industrial catalyst.

There is also the question of limitations on share ownership. The only potentially effective sanction against the incumbent management of BT

To sell these shares without removing the 15 per cent limitation on shareholding would be quite unforgiveable, for it would leave the BT board in an intolerably privileged position - immune from takeover under English law, and effectively with jobs for life.

Bryan Pearson,

#### Oiling the arguments for accountants misleading in view of the fluc-

From Mr David C. Domunt. Sir, in view of the fact that inflation persists, a reconsideration of current cost accounting (CCA) is certainly essential. But I hope that Professor Myddelton's advocacy of price level accounting, constant pur-chasing power (CPP) will be

It is no use adjusting the past unless the figures pro-duced are useful in judging the future. Historic cost figures are bad enough, but figures adjusted not for the assets' own price movements but for an average are even worse.

The whole matter is clearly seen in the case of the price of oil Historic cost profits for the oil companies are somewhat

their petrol pump prices - can show reality. David Damant Paribas Asset Management, 68 Lombard Street, EC2

Sir. Professor Myddelton (Letters, September 6) is absolutely right. Will the new

accounting standards body issue PSSAP 7 (CPP) as a sub-stantiate standard — "like

tomorrow?"

We do not want another 17
years of "consultation" during
which company profits are
overstated, physical assets
undervalued and return on
capital thus doubly overstated.
These misleading figures
(giving anything but a "true
and fair view" of a company's
performance) have caused performance) have caused businesses to pay more dividends than they should, more tax than they should and more wages than they should. Douglas Dale, 97 Hilderstone Road,

Meir Heath, Stoke-on-Trent,

#### Accountancy across international borders

From Mr Ted Harding. Sir, Philip Shirley's call for an outside investigation into the state of the accountancy profession (August 16) is wel-come amid the continuing agglomerative trends among

accounting firms.

While he identifies the anticompetitive tendencies of the big networks, there are other disturbing practices engaged in by the important firms.

While medium-sized and small firms find it increasingly difficult to compete with the large organisations, competition is further impaired by the restrictions imposed on firms by the international networks which they are members. For example, the mechanism

whereby the national member firm in an international grouping is granted exclusive rights to a particular territory.

The national firm in networks such as KPMG, Spicer & Oppenheim or BDO Binder will usually practice within its domestic market. Thus accountants are frozen unnaturally

within their national borders.
Therefore, professionals in
Denmark and Sweden must leave the larger and more lucrative markets in Germany, France and the UK to their "partners" in those countries. In reality the "international firms" are not unified eco-

nomic entities, but rather groupings of national firms that have consented to trade under common names and rules, while not encroaching on each other's territories. Member firms and offices of Deloitte Haskins and Sells, Touche Ross, Ernst & Whinney

and Arthur Young elected to

opt out of recent mergers. In

July, Spicer & Oppenheim left its international network to join Touche Ross.

Differing practice rights and

qualifications throughout the EC complicate matters. However, the anti-competitive prac tices operated by firms between the UK and Ireland give an insight into the approach of the international networks. Irish chartered accountants are permitted to carry out company audits in the UK and vice versa, but this does not occur in practice. This negates the idea of the

EC single market. The Community's founders hardly intended France to be reserved for French accountants and Germany for Germans. Ted Harding, The Accountant,

Dublin, Republic of Ireland

Pearse Street

#### **Last year, Project Trident found Jobs** for over 100.000 young people ...

Over 100,000 fifteen and sixteen year olds gained their first taste of working life - exchanging the classroom for two weeks' work experience in engineering, journalism, computing, design, nursing, marketing, catering....

This year another 100,000 will gain the same experience ...

#### **But what about next year?**

PROJECT TRIDENT was founded over twenty years ago with the aim of helping young people gain a better start in life. A programme of work experience and complementary projects designed to encourage the social and personal development of youngsters has proved a solid and successful formula through the 70s and 80s.

PROJECT TRIDENT has witnessed substantial economic and social change over the last twenty years and it has continually adapted to meet new requirements. If its success is to last, it must continue to expand and adjust, to offer the youngsters of the 90s even greater opportunities than the young people of the last two decades.

To give help, we need help. We need strong support from industry both in the form of seconded management - the people who bring their expertise and experience to set up, administer and expand Trident projects - and in terms of

Project Trident asks for action from industry. Please give your support by contacting us at Project Trident.



W.P. Bowman O.B.E.



## **FINANCIAL TIMES**

Monday September 10 1990



SOVIET LEADERSHIP DIVIDED

## Gorbachev delays economic reform plan

THE arguments in the Soviet Union over how to transform the economy into a market system have forced President Mikhail Gorbachev to postpone presenting an economic reform

Originally, he was expected to announce the plan at today's opening session of the Supreme Soviet, the all-union parliament. But he is not now expected to make his state-ment until mid-week.

The delay reflects continuing deep divisions between Prime Minister Nikolai Ryzhkov, backed by conservatives in the traditional planning and military-industrial complex, and radical economists advising both Mr Gorbachev and the Russian federation President,

Mr Borls Yeltsin. Over the last few weeks senior economists from both sides have been closeted in a dacha outside Moscow to ham-



Ryzhkov: deep divisions nomic plan from two funda-mentally different programmes. One was put forward by Mr Ryzhkov, whose fate is likely to be decided this week,

mists who worked out a crash, 500-day Russian reform programme for Mr Yeltsin. Mr Gorbachev, who aban-

doned tense, last minute efforts to work out a compro-mise to fly to Helsinki for his meeting with President Bush, hoped to announce the new plan on his return to Moscow. But the inability of both sides to agree on a compro-mise, pithily summed up by Mr Yelsin as a useless attempt to marry a hedgehog to a snake, means that Mr Gorbachev faces a hard choice on his

The radical mayors of Moscow and Leningrad both called for Mr Ryzhkov's resignation over the weekend. The Prime Minister has already threatened to resign if sufficient elements of his already trice expended. twice-amended government programme, based on the old command economy system, are not included in the final draft.

The principal sticking point is believed to be his insistence Mr Stanislav Shatalin and Mr Nikolai Petrakov. Their views were published that the centre should retain control over the economy until new, official links are forged in Izvestia last week. Their

plan calls for a census of state and party property followed by privatisation. It also included devolution of economic decibetween a reduced central apparatus and the various republics which are to be the main executors of the de-cension-making to the republics, local soviets and enterprises, within a legal framework pertralising Yeltsin plan. Up to now Mr Gorbachev has shown deep reluctance to weaken his own position by abandoning his Prime Minister mitting free enterprise and priand having to undertake a

vate ownership.

In a last effort to secure a compromise Mr Abel Aganbegyan, the Siberlan economist who used to be the Soviet president's closest economic adviser, was called in last

But with Soviet consumers angry at growing shortages and western investors and institutions waiting for a clear commitment to a market-orientated system, Mr Gorbachev is now expected to announce both radical reform and a new Prima Minister this week

Bank seeks

for troubled

Correspondent, in London

THE BANK of England has

acted in an attempt to stop banks forcing troubled British companies into early collapse.

The move follows criticism of

some banks for being too

guick to pull the plug.
Following discussions with
hankers, the Bank has issued
guidelines which are meant to
reflect best City of London
practice and provide broad
principles that should be followed by banks, many of them

now foreign-owned, when com-

penies hit difficulties.

This year several well-publicated company failures — that of the financial services group British & Commonwealth for one — have followed the withdrawal of support by one or more banks. There have been other cases — for avantale

more banks. There have been other cases – for example, where bank infighting nearly jeopardised the future of the fabrics and furnishings group, Laura Ashley – when corporate collapses were only narrowly averted,

Sustained high interest rate

have put many other UK com-penies under intense financial pressure and have encouraged

nervousness among some bankers about the risks of con-

tinued lending to British cor-

porate borrowers.

The guidelines were considered necessary since it is a decade since the last recession

in the UK and few banks in London, with the exception of the clearing banks, have staff

with experience in such sup-port operations. In addition,

many more companies now

panies hit difficulties.

more time

companies

By Stephen Fidier. Euromarkets

#### opening problems The fanfare of enthusiasm Textiles which accompanied the May deregulation of the US marke FT-A Index relative to the FT-A All-Share Index

for privately placed securities is looking increasingly mis-guided. When Rule 144a was introduced. It threatened to pull the ping on the world's traditional private placement markets. It is now clear that, after 10 years of growth, US private placement business entered a strong cyclical decline at the start of the year. Despite the imaginative use of the new market by UK compa-nies such as Abbey National, Pilkington and Lasmo, the lack of public offerings on the primary markets was always going to have a knock-on effect. There are more funda-mental problems emerging, however.

One is that acreen-based trading of privately placed securities has found little demand. The much-hyped Por-tal system has few users; last week's SITUS deal between Reuters and the American Stock Exchange to provide a competing service was of long-term relevance only. In addition, although US interest in non-US investments continues to grow steadily, it is still largely confined to the influen-tial top tier of funds. That limits the depth of secondary business in, for example, international debt offerings. For equities, the attractiveness of ADRs has not suffered from

the new competition in the way first feared. These problems will be over-come in time. But the sooner Rule 144a is followed by a much wider liberalisation allowing share tender and debt swaps, as well as the market-ing of mutual funds, the better.

Textiles

Forget property, house-builders and the leisure sector. If one wants to get a sense of what a real bear market feels like, look no further than the depressed UK textile industry. It is over three years since the FT-A All share index peaked, and while its 16.7 per cent decline is still modest by bear market standards, the textile sector has fallen by 55 per cent. The average yield is 8.8 per cent and Coats Viyella, the market leader, is yielding a whopping 12.6 per cent. Admittedly, at the time of the 1980/81 recession it was yielding 18 per cent - three times the market average - but one has to be a

super bear to believe that valu-ations will sink that low again. The industry has always been the harbinger of hard times to come in the corporate

sector. It is more international

than most, and the 22 per cent

THE LEX COLUMN

A private market's

rise in the pound against the dollar over the last year has played havoc with its competitiveness. Imports are sucked in, export markets disappear, and high interest rates only make matters worse. It may be a fashion business, but as Courtaulds noted last week tougher trading conditions mean retailers concentrate heavily on price. If a recession is triggerred by destocking, textiles will be the first to feel

60 87 89 85 87 89 1979 81 88 85 87 89 Source: Delastree

Nevertheless, a lot of these worries are already discounted in the prices. It would be surprising if this week's interims from Coats Viyella did not make gloomy reading. But it would be even more surprising if it repeated Coats Paton's controversial decision to pass its final dividend in the deaths its final dividend in the depths of the 1974/75 recession. If it does, then alarm bells will be sounding in board rooms a long way from the textile industry.

UK construction

If only the UK's construction industry was a simple, cyclical matter — like paper, chemicals and steel — the buy signals would look even more irresistible. The message from Wimpey's poor figures was that the national, volume housebuilders may soon touch bottom. The brick-makers' plight looks so well-discounted in share prices that if some are not bid for soon, they never will be. And among the heavies, in cement and aggregates, the chances of earnings per share growing in 1991 seem low, but cash-flow is

still strong. So much for the bull case. But a simple, cyclical view that history will repeat itself in building sector share prices looks untenable. In 1981, public sector orders accounted for 37 per cent of new UK building work; in 1989, 24 per cent. As for commercial work, if the

1986-89 boom was much stron-

ger than in the late 1970s, then the 1990-1992 slump could be more protracted. But overseas markets, now bulking much larger in the for-tunes of the blue-chip UK con-

Out from

founders

Afternative of

financing -1.th

Question many

deal to: Simble

Table 1 Archite

\$1000

Mark at Black store

Companys - in-

struction-related companies, are the big imponderables. Here there is no single discernible cycle at all. French and Dutch housing, and just about everything in Scandinavia, are slipping into recession. But Spain probably has another 18 months' boom to go; Germany is one big anomaly, because of unification, with output set to rise strongly again in 1991. The way to make really big money in construction shares is not going to be to watch for sector-wide signals, but to find the best US and European econo-

Auction stock

That curious and faintly disturbing financial instrument, auction market preferred stock, continues to win adherents. The latest is Beazer, joining a list of UK companies from BET and Redland to Maxwell Communications. Like the well Communications. Like the rest, Beazer presents the \$101m it has raised as a reduction of borrowings. In banker's terms this may be true. For equity holders the effect is the reverse: not only does the debt remain, it shifts to floating rate with a preparative.

with a venguance.
Since the coupon is re-set at auction every month or so, the risk is of two kinds. US commercial paper rates may go up; or the company may run into trouble, in which case investrouble, in which case inves-tors might demand a risk pre-mium and send monthly pay-ments through the roof. Some companies have payment guar-anteed by their bankers, but not all. And though the com-pany generally has the option to redeem the stock at will, it is precisely at such times that is precisely at such times that refinancing would prove most

Meanwhile, the equity holder must be alert to the effect on the accounts. Being strictly classifiable as equity, the preference stock reduces stated gearing, it also raises stated interest cover, since the pay-ments go below the line, generally as part of minorities. Sensible companies like BET, when calculating interest cover internally, include the preference payments in the sum. It is to be hoped that oth-ers are as realistic. That modish instrument of the late 1980s, the Euroconvertible with put option attached, is now causing untold grief to compa-nies from Saatchi & Saatchi downwards. With a bit of bad luck, auction market preferred stock could go the same way.

## Pressure grows for deal to cut US deficit

LEADING congressmen will meet at the White House today in an effort to agree a deadline for a final accord on a package to reduce the US 1991 budget deficit by \$50bn. Republican and Democrat

negotiators would like an agreement by tomorrow even-ing when President George Bush returns from Europe to address a joint session of Congress on the Gulf crisis.

During private talks at Andrews Air Force Base in Maryland, the Administration and representatives from Congress made progress toward an agreement covering fiscal 1991 (which begins on October 1) as well as a more ambitious five-year plan to reduce the deficit by \$500bn.

By Claire Boiderson in Jakarta

days of confusion and delay,

peace talks opened in the Indo-nesian capital yesterday with

commitment from all the war-

ambitious United Nations-spon-

five permanent members of the United Nations Security Coun-

cil. provides a framework for a

settlement in Cambodia includ-

ing arrangements for a cease-fire and the establishment of a

Supreme National Council to

govern the country in the

run-up to elections.
If implemented in full, it will

effectively mean the end of the

Phnom Penh Government, It

will also pave the way for most

pursuit of peace

concerned enough to check if

the pampered White House

Iraqi leader, Mr Brent Scow

There was instant flood-

lighting on the old Finnish buildings, for the benefit of

the television networks whose analysis and presenters tee-

tered precariously in canvas

and scaffolding studios.

The CNN news channel got

the first scoop with President Hussein's broadcast message

live on the eve of the summit,

although it was an hysterical

and rambling affair. It took

Bernard Shaw, the network's veteran presenter, to coin the quote of the night: "Well,

there were quite a few points

in that six-point statement."
Fortunately, nobody really cared. This was a show to tell President Husseln what was what, superpowers side by side. Even if he did try to need to the Market Statement of the Market Statement

die Mr Gorbachev, accusing him of no longer leading a superpower, the jibe slid off the Soviet leader like water off

WORLDWIDE WEATHER

Shoulder to

shoulder in

sored peace plan.

AN END to 11 years of civil to be taken over by the United

war in Cambodia appears at last within reach. After five The Cambodian Government

threatened to order \$105.7bn across-the-board spending cuts required by the Gramm-Rudman law unless an agreement is carried out by October 15.

Without action, the deficit could balloon to more than \$250bn in 1991, inflated by falling tax revenues due to weaker growth which could be exacer-bated by the rise in oil prices. However, the Gramm-Rudman cuts are so draconian that conmen are already position ing themselves to make adjust-ments in the deficit reduction targets, once a 1991 agreement is reached.

On Saturday, the Democratic and Republican teams put for-ward their third offers of the budget talks, which have been ambling along since last May.

expressed reservations about

the plan when it was announced in New York last

Democrats would achieve their cuts largely through higher taxes, including a new 2 per cent energy tax; a 10 per cent surtax on incomes higher than \$500,000 a year; and reductions of \$11.7bn in defence spending, though the Gulf crisis has made savings in the military budget more con-

Mr John Sununu, White House chief of staff, said the administration was not "enthuslastic" about raising energy taxes. Mr Bush's proposal for a cut in the capital gains tax was

also "a very crucial part of this package," he added. The Republican offer focuses on limiting the Federal deduction for state and local income tax, retaining the capital gains chang tax cut (which gives a one-off boost to revenues) and making

reductions in entitlements such as Medicare, Medicaid and Federal retirement benefits of more than \$15bn.

major government reshuffle in the midst of an economic crisis whose depth has been under-

lined by bread queues and shortages of other basic com-modities like tobacco and

Sugar. But in recent weeks the Soviet leader has distanced

himself from his increasingly

isolated Prime Minister and

moved closer to accepting the

Both sides are recommending higher taxes on alcoholic beverages, with beer and wine taking the brunt of such "sin

The location of the budget talks at Andrews Air Force Base – the point of departure for US presidents on important overseas missions - is an attempt to inject some pressure into the negotiations.

sure into the negotiations.

Some congressmen
responded by bringing their
toothbrushes and pyjamas in
preparation for possible allnight sessions. Reports from
the closed-door session say the
change of scenery, away from
the Capitol, has improved tam-

## Cambodian factions back UN peace plan

leader of the anti-government coalition, who in a characteris-tic change of mind on Saturday said he would not attend because of ill health. Mr Hun Sen, the Cambodian

month. But Mr Ali Alatas, the Prime Minister, had said he would only participate if the Indonesian Foreign Minister prince was there. But in a move which diplomats say reflects the intense internsand co-chairman of the Jakarta meeting, said yesterday all four parties in the conflict had now accepted the Security Council documents as a frametional pressure on him to reach agreement, he said he would work for peace. He said the take part. meeting would now start dis-cussing the process of forming the Supreme National Council. sence, together with

His presence, together with that of Mr Khieu Samphan, leader of the Khmer Rouge which poses the biggest mili-tary threat to the Cambodian Government, is seen as essen-"The circumstances for achieving a comprehensive settle-ment are unlikely ever again to be as favourable as they are tial for any lasting agreement. now," he said. The Jakarta talks have gone Observers point out that Prince Sihanouk, by changing his mind yet again and failing ahead despite the absence of

have overplayed his hand and cut himself out of any deals that are to be made between Cambodian factions.

In his opening remarks to the meeting, Mr Alatas, who has played a leading role in together, emphasised there was an unprecedented international commitment to bring peace to Cambodia.
All the main backers of the

various factions, including the Chinese who sponsor the Khmer Rouge forces, have pledged their support for end-

ing the civil war. Mr Alatas made it clear it was now up to the Cambodians to play their part. "Anyone or any party seen to be blocking the path to peace will have to assume an awesome responsi-bility before history," he said.

#### **Doubts emerge** over pace of

monetary union Continued from Page 1

subject to the achievement of an agreed measure of conver-gence could well be the rallying point in future discussions.

That would be a practical way forward which I would not

may have to be incorporated in the second stage of EMU as the price for ensuring British par-licipation.

Mr Karl Otto Pöbl, president

of the German Bundesbank, favoured a "hardening" Ecu tied to the EC's strongest currency but under the control of a stronger central banking authority than the British sup-

obtain their finance from banking syndicates, where unanimous agreement is often required to provide help for a company. Tough competition, with the influx of foreign banks into the City, has also eaten away at relationships between com-panies and their lenders and has reduced the ability of the Bank of England to influence

banks through what it calls "moral suasion". Some clearing bankers say an evident lack of commitment to UK companies among these new foreign bank entrants has deepened the problem, although this view is understood not to be shared at the

central bank.
It was a decision by Midland Bank, for example, that was the immediate cause of the downfall of B&C.

The proposals are aimed at providing, where possible, that a company has sufficient fundate continue trading, and reducing the likelihood of banks deciding to "cut and run."
They recommend a standstill, with all lenders remaining in place, until a longer-term analysis of a company's prospects, provided for instance by an accountancy firm, is available.

accountancy firm, is available.

They put a strong emphasis on the sharing of information and the role of a leading bank in liaising with a company and its banks. They also aim to underline equal burden sharing, under which no bank should obtain a free ride on the back of others. Where new loans are made, the proposals loans are made, the proposals stipulate that the loans should, if possible, carry higher security to reflect the higher risks involved.

## Thatcher will fight

next UK election By John Mason in London

Prince Norodom Sibanouk, the

Continued from Page 1 his economy. Mr John Sununu, the normally unsympathetic MRS Margaret Thatcher, the British Prime Minister, yester-day announced her intention to lead the Conservative Party press corps had caught up on theirs. Then, when asked about the for a "considerable time" after the next general election and effect of the summit on President Saddam Hussein, the sed to rule out serving a further five years as premier. Her remarks will cause some croft, the national security adviser, snapped back: "I hope it causes him to lose some

surprise at Westminster where it has generally been thought that she would stand down relatively soon after the next election, which must take place before June 1992. But the comments were

being widely seen last night as an attempt by Mrs Thatcher to avoid the opposition Labour Party seizing on expectations of her departure to label her as a lame duck in the run-up to the next election.

One senior Conservative backbencher said that with the next election expected to be closely fought it was important that Mrs Thatcher is seen to be

In a television interview Mrs Thatcher said: "I believe it's right for me to go on and take the next general election and to stay on. If you go and take a next election you must stay on for a considerable time afterwards. But you cannot say what the position will be at the following election."

She was careful to deny she intended to go "on and on and on." But she agreed she might still be Prime Minister at the age of 70 in five years' time. Asked to rule this out, she replied: "No. Some people started their administration at the age of 70. But I wouldn't necessarily. Seventy, that's just through the next election and right up to the following

one.
"I'm not immortal, but I've got a lot left in me yet," she

Mrs Thatcher insisted she was not worried by any possi-ble challenge to her leadership this autumn and repeated her belief she will lead the Conservatives into the next election. She said her successor was likely to come from the present Cabinet. Questioned as to whether Mr Michael Heseltine, the former Defence Secretary, might take over as leader, Mrs Thatcher said no one had fore-told that she would come from

the back to become Prime Min-The Prime Minister also insisted no date had been pen-cilled in for Britain's entry into the European exchange rate

Asked whether the Gulf crisis would effect the date of entry, Mrs Thatcher agreed it would increase inflation in the

find difficult," said Mr Major. The Chancellor was also able to draw comfort from the fact that his proposal for creating a "hard Ecu" was now eliciting greater interest from some of his colleagues. While none of them would wish to embrace the plan as it stands, it is clear that many feel some elements

The request made by EC for-eign ministers last Friday for a prompt consideration of proprompt consideration of pro-posals to provide special aid to Turkey, Egypt and Jordan as the countries most seriously affected by the embargo on Iraq was not met with an equal sense of urgency. Officials are to examine the Commission's request that the EC should pro-yide up to \$200 out of around vide up to \$2bn out of around \$9bn these countries are caculcated to need by the end of

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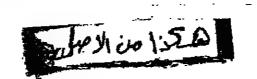
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## **FINANCIAL TIMES** COMPANIES & MARKETS

Monday September 10 1990



## INSIDE

#### Out from under its founders shadow Srierley Investments, founded 29 years ago by



The same of the sa

New Zealand entrepre-neur Sir Ron Brierley (left), is at last coming out of the shadow of its founder. Last week in London Mr Paul Collina, chief executive talked about the group's strategy — and about its plans for its 20 per cent stake in Vickers. Andrew Bolger reports. Page 18

Undercurrent at Rhône-Poulenc Shares in Rhône-Poulenc, the French chemicals company, have been far harder hit this year than those of its European competitors even though its results are certainly no worse. Will Dawkins explores the reasons for the underperformance, Page 19

#### Alternative route to financing unity

MAKE ME AN OPPER



promissory notes for the German Unity Fund (GUF) during the past few weeks. This is the first time since 1984 that auch notes have been issued. The borrowing is in addition to DM9bn raised for the GUF through public bond lasues. The existence of the additional funding route explains the Finance Ministry's relative equanimity about the failure lest week of the first public auction of unity bonds. David Marsh reports. Page 19

The West German govbeussi asr insmme

around DM3bn worth of

#### Question mark over Canadian deal for British Gas

The election of a left-leaning provincial government in Ontario last week has put a question mark over British Gas's proposed C\$1.1bn takeover of Consumers' Gas, Canada's biggest natural gas distributor. Concern that the incoming New Democratic Party government might not approve the deal or impose unacceptably stringent conditions on Britgas, pushed Consumers' share price down by almost 10 per cent on the Toronto stock exchange on Friday writes Bernard Siman from Toronto, Page 18

#### Market Statistice

Base lending rates Euromarket turnover FT/AIBD int bond svca Foreign rexchanges London recent issues

Managed fund eervice Money markets New Int bond issues SIRI Tokyo bond index Traditional options World stack mid indices

#### Companies in this section

Astec (BSR) Bayer. Vereinsbank British Gas **Butte Mining** Carrefour Consumers' Gas

Perry Group Rhône-Poulenc Roche Holdings Thomson-CSF

## buy E German cement group By Andrew Taylor in London

RMC, THE UK group which is the world's biggest producer of ready mixed concrete, is under-stood to be negotiating to buy the Rüdersdorf cement group which owns a large works to the east of

It is the second time in less than six months that a leading European building materials group has moved to gain a large slice of the East German cement

In July, Lafarge Coppee, of France, took over the management of Karlsdorf, East Germany's largest cement manufac-turer which has about 35 per cent of its domestic market.

The French group, the world's second biggest cement producer behind Holderbank of Switzerland, is negotiating to purchase Karlsdorf. An independent valua-

Rarisdoff. An independent valua-tion is expected to be set by the end of this year.

The East German cement mar-ket is forecast to grow strongly over the next few years, as public and private investment in infrastructure increases.

Rudersdorf, according to rival European cement manufacturers, has the capacity to produce more than 2m tonnes of cement a year. This compares with the capacity at Karlsdorf of about 6m tonnes, although Karlsdorf last year produced only 4m tonnes.

Mr Bertrand Collomb, Lafarge Group chairman, said an efficient Western cement works could have produced the same amount of cement with about a quarter of Karlsdorf's workforce of 3,000. Lafarge, however, was not plan-ning any immediate drastic lay offs at the East German cement

manufacturer.

The proposed unification of the two Germanys, together with other political changes in Eastern Europe and the start of the single European market in 1992, has led to a sharp increase in cross-bor-der joint ventures and acquisitions involving European build-

ing material companies.
Last week Rediand, the British building materials group, acquired Shiedel the largest manufacturer of prefabricated chimneys in West Germany for DM90m (£30m), More than a quarter of Eddon's prefabricate are transfered. ter of Redland's profits are expec-ted to come this year from Ger-many, where it manufactures roof tiles in East and West Ger-many. Other cross-border deals since June include a joint venture between Lafarge and Red-land to create Europe's second biggest plasterboard company and BPB of Britain purchasing the plaster and gypsum interest of Poliet of France.

#### European film venture to tackle US dominance

By Raymond Snoddy in London

FILM PRODUCTION and distribution groups from five European countries will today create Eurotrustees, a new company designed to challenge American film dominance in

European productions the five companies will, in effect, create the first European "major" able to acquire European distribution rights to films made by independent US producers. Eurotrustees will also distribute films by European film producers throughout the continent.

The producer-distributors expected to sign Eurotrustees into formal existence at a meet-ing at the Venice Film Festival today are: BAC Films of France, ERRE Produzione of Italy, Iber-camericana Films of Spain, the Palace Group from the UK and Telemunchen of West Germany. Eurotrustees claims to be the

first venture to try to tackle the

European film market on a pan-European scale. The Eurotrustee concept has

been developed by Pierson, Heldring & Pierson, the Dutch mer-chant bank, with the support of Guinness Mahon the UK mer-Apart from initial bank loan

finance to get Eurotrustees going the aim is to raise between \$10m and \$15m in equity finance from industrial investors interested in getting into the expanding market for "entertainment software". Mr Alexander Gelderman, director of commercial banking and film finance at Pierson said: "We are going to try to buy film rights for the whole of Europe and when you can do that you can

get a discount."

It has long been a complaint of European film makers that the main film distribution channels in Europe are American dominated and tend to favour Ameri-

## RMC moves to Pain beyond the petrol pumps

Richard Gourlay on the effects of losing Kuwait's refining capacity

he weekend's gasoline price rises will hurt a lot of businesses and there is more pain to come. The chemical industry, transport companies and consumers of heating oil are all set to suffer — and sooner than might have been thought.

However it is not the shortsen

However, it is not the shortage of crude oil but a shortage of refinery capacity which is at the centre of the problem. While crude oil prices have risen by about \$12 a barrel since Iraq invaded Kuwait on August 2, analysts believe the 4m b/d of lost production from these coun-tries should more or less be replaced by increased output

from Opec and other producers.

It is petroleum product prices

jet fuel, the chemical industry
feedstock naphtha, heating oil
and the most politically sensitive product, gasoline — that are beginning to show the effects of a severe squeeze not entirely resulting from the Gulf crisis.

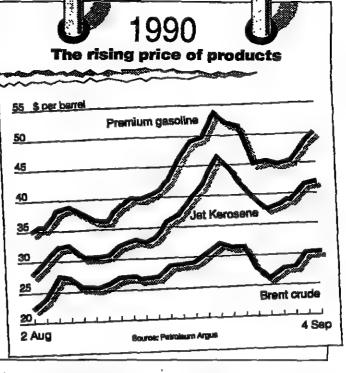
Before the Iraqi invasion the world's crude oil refineries were already working close to full capacity for the first time in almost a decade.

There is, therefore, no obvious way to replace the 750,000 b/d of product exports lost from Iraq and Kuwait's three export refi-neries and the 200,000 b/d of exports diverted from Saudi Arabia and Bahrain to fuel US military aircraft. Add additional US military demand in Saudi and between 1m and 1.5m b/d appears to have been lost from the market, analysts say. This squeeze has been exacer-

This squeeze has been exacer-bated because Kuwait's refineries were highly sophisticated with technology that allowed more high value products to be pro-duced from crude oil. In addition to basic distillation, Kuwait had invested heavily in high technol-ogy processes in order to feed downstream marketing operations in Europe and the huge feedstock demand east of Suen notably in Japan. Such replacement capacity as there is, in Italy and Japan for

there is, in Italy and Japan for example, is much less sophisti-Furthermore, the crude oils

that will replace the lost output; they have risen as high as \$6, would not persist as the low cost ity so the thing we have the exception of that from according to Mr Philip Morgan of of transport relative to the value curtail consumption."



Nigeria, are significantly heavier than those from Kuwait and Iraq, according to Mr Dennis Eklor of Cambridge Energy Research of Cambridge, Massachusetts, Heavier crudes refined in less sophisticated refineries will produce more fuel oil and less gasolene,

more fuel oil and less gasolene, naphtha and jet fuel.

These pressures have already shown up in a doubling of naphtha and kerosene prices in the Far East, while in Europe gasoline two weeks ago reached an all time high even though crude prices were only half their 1980 record levels.

Another manifestation of the

Another manifestation of the Another manufestation of the tighter products market is the growth in refinery margina, the difference between the value of the product and the cost of crude. Last year refinery margins in Europe averaged \$1.5 to \$3 a bar-

But since the start of August

Laing and Cruikshank. In Singapore margins have been as high as around \$9.

These relative prices are, how ever, constantly changing and some traders last week said refinery throughput in Europe was falling because margins were declining again. This would sug-gest another reason for more

product price rises.

The loss of middle eastern oil has so far been felt more in markets east of Suez than in Europe and the US.

Analysts estimate Asia has lost more than 600,000 b/d and India and Pakistan are likely to be par-ticularly badly hit. The annual build up of heating oil stocks in Japan and Korea, ahead of win-ter, is likely to keep prices in the Far East higher than in Europe and the US.

In normal times price differences between these markets

of the cargo would open arbitrage opportunities that would close the gap. But these are not normal times and normal price relationships have not been maintained. West Texas Intermediate, the benchmark crude in the US, for instance, normally trades at a premium to Brent. But this relationship has now reversed and products that normally flow from Europe to the US market are travelling the other way across the Atlantic.

Analysts say this reflects the physical shortage of products from the top end of the barrel in

Europe. Similar physical shortages will emerge later, perhaps towards the second half of September, in the US, because the 42-day Gulf to US east coast shipping time versus the 30 day journey to Rot-terdam - means product shipped before the Iraqi invasion has only

recently stopped arriving.

There is some relief for product prices on the horizon. Mr Eklof believes some 500,000 b/d of moth-balled refinery capacity could be reinstated relatively quickly, notably in Italy and Japan. Refin-ers could postpone some maintenance programmes and in the US, at least, there is talk of relaxing the octane restrictions on gasoline to make the barrel of crude go further. By definition, however, any

recommissioned refineries would have been closed in the first place because they were ineffi-

Furthermore, there are ominous signs in the US, where figures become available soonest. that companies are stocking early for winter. In the four weeks to August 24, demand for products rose 6 per cent, whereas in previous months it fell 2 per cent relative to the year before. As the Gulf crisis slips towards

a war of attrition and the winter approaches, analysts say all the signs point towards higher raw material costs for industry and more gasoline price rises. "We are in a short-term crisis for which there are only long-term solutions," says Mr Ekiof, "We can not make new refining capac-

## GEC likely to look abroad for non-executive directors

By Andrew Hill in London

GENERAL Electric Company, the UK electronics and defence group, is looking to appoint new non-executive directors following the departure of three board members at last week's annual general meeting.

GEC could announce the new board appointments towards the end of this month. It seems likely that it will seek to balance its directors' UK experience with representation from continental Europe, where GEC is part of a number of large joint ventures with, among others, Matra and Aisthom of France.

Sir Kenneth Bond, the group's vice chairman, Professor Edward Hall and Mr Ross Johnson all decided not to stand for re-elec-

tion last Friday.
At the AGM, Lord Prior, GEC's chairman, said new non-execu-

tive directors from mainland Europe may be appointed.

Before the AGM, GEC had 20 directors, eight of them non-executives. The board is headed by Lord Weinstock, the group's man-aging director. Mr Malcolm Bates, deputy managing director, and Mr David Newlands, who

was appointed finance director last year. The other executives are Sir Robert Davidson, who is

vice chairman and chief execu-tive of GEC Alsthom, Mr Douglas Gadd, Mr Michael Lester, Mr Ian MacBean, Mrs Sara Morrison, Mr

David Powell, Mr Simon Weinstock and Mr Rhys Williams.

The remaining non-executive directors are the group's vice chairman Sir Ronald Grierson, Lord Catto, Mr Sebastian de Ferman Sir Control Catto, Mr Sebastian de Ferman ranti, Lord Rees-Mogg and Mr Dock Roberts.

#### Economics Notebook

## Protectionism hovers in the wings

Peter Norman on the threat to international solidarity in the Gulf

he international commu-nity's reaction to the iraqi invasion of Kuwait has so far been one of impressive solidarity. But will this solidarity

extend to economic and trade policies if higher oil prices begin to have a perceptible impact on global economic activity? Economists agree that the jump in oil prices to around \$30 a barrel from \$16 before the outbreak of the Middle East crisis does not threaten the world economy to the same extent as the oil crises of 1973

and 1979. There are, however, fears that a protracted conflict

affecting growth and employment could further encourage Past oil crises have boosted protectionism in international trade and posed challenges to the application of economic liberalism in domestic economic

policy making.

Protectionist pressures have remained strong, although, since the early 1980s, the world has enjoyed one of the longest periods of economic growth since the Second World War. Protectionism and dirigisme have persisted alongside such momentous events as last year's eclipse of Communism in eastern Europe, which appeared to signify a triumph of liberal ideas over interven-

Last week's television pictures of French farmers hijacking British sheep lorries were a reminder of how strong protectionist pressures can be at the local level. The lack of movement on liberalising agricul-tural trade since the lengthy and difficult discussions about farm subsidies at this year's Houston Economic Summit shows how even heads of government have limited powers to ease frictions among nations

gal <del>magazarar ar sar resta a</del> arak

which agree on so much else. According to Mr David Hen-derson, who heads the econom-ics and statistics department of the Paris-based Organisation for Economic Cooperation and Development, interventionist elements have had the upper hand in the trade regimes of OECD countries during the

OECD countries during the past 15 to 20 years.

Writing in a personal rather than an OECD capacity, he recently completed a thoughtful paper on the past and future evolution of the world trading system that will be published in a book of essays by economists in honour of forby economists in honour of former OECD economist Kjell Andersen early next year. "There has been no dramatic change to record," he writes.

US's "own energy needs without depending on any foreign sources" by the end of the

In 1980, the Canadian gov-ernment adopted a comprehensive national energy programme which sought "to establish the basis for Canadians to selze control of their own energy future through security of sapply and ultimate independence of the world market." Like Project Indepen-dence, the Canadian plan ended in failure.

The average motorist, faced with daily increases in pump prices, might find such autar-chic ideas initially attractive. But Mr Henderson points out that such interference with market forces risks being very

French farmers hijacking British sheep lorries last week shows how strong are protectionist pressures at a local level

"But whereas up to the early 1970s there was a clear though fitful trend towards liberalism. the broad direction of change since then has been if anything in the opposite direction. This can be seen both in national policies and in the character of the trading system as a whole." Mr Henderson now worries that nations may adopt more dirigiste economic policles at home if the situation on international oil markets dete-

There are some discouraging recedents of governments adopting unrealistic and unworkable energy policies after the oil crises of 1973 and 1979. One such ill fated effort was Project Independence, laughed by President Bishaud launched by President Richard Nixon in November 1973. This set as a national goal develop-ing the potential to meet the

costly. A new bout of dirigisme would also undermine the liberal non-discriminatory tendencies in national economic policy making that have struggled - with some success - to assert themselves during the

past 10 years. Market-oriented efforts to reduce rigidities such as industrial subsidies, restrictive practices in the workplace and state involvement in the economy have helped stimulate economic growth in many industrialised and some developing countries and offset protectionism in trade. These advances could be

icopardised if domestic economic policies were now to

move into step with restrictive

trade policies. Such a develop-

ment would also darken the

horizon of millions of people in

eastern Europe and the devel-

their hopes for a better future in the market economy. Kept Guessing

Mr John Major's radio interview last Friday, in which he ruled out British entry into the Exchange Rate Mechanism of

the European Monetary System over the past weekend, has left the financial markets no wiser as to when Britain will become a full EMS member.

Although he said the infla-tion gap between the UK and its EMS partners was the main economic condition standing in the way of British membership of the ERM, he also made clear his judgment would play a key role in determining the timing

of entry. The Chancellor's ability to keep everybody guessing is highlighted by the way in which he has never specified what measure of inflation will be used to determine whether the UK rate is "proximate" to that of the UK's EC partners. The confusion is reflected in

Over the weekend, the economics team at Goldman Sachs calculated that the inflation gap between the underlying UK rate and inflation in the ERM countries should have peaked in August at 3.4 per cent, will decline to 3 per cent in October and hover at 3.1 per cent in the last two months of the year. Goldman Sachs still expects UK entry into the ERM

Mr Kevin Darlington of UBS Phillips and Drew, who leaves high inflation Spain out of his ERM calculations, believes the gap will peak at 3.2 per cent in the current quarter and only start to contract in the fourth quarter of 1990. Phillips and Drew tips entry from mid-1991

#### **Hoare Govett** poised for a buy-out by management By David Barchard

In London

HOARR GOVETT, the City of London stockbroker bought by Security Pacific of the US at the time of Big Bang, is poised to announce a management buy-out early this week. A team from Hoare Govett,

under Mr Peter Meinerizhagen, head of corporate finance, has been negotiating for several months to buy 51 per cent of the company. The balance of the stock not immediately taken up in the buyout diately taken up in the buy-out will be held in an employee share ownership scheme which is already in place. The US bank would be left

holding a 49 per cent stake in the broker and would therefore be able to benefit should Hoare Govett's trading performance improve following its

move to independence.

Any such income would help offset the heavy investment Security Pacific made in Hoare Govett around the time of Big

sale would be unlikely to go very far towards recovering the £50m which Security Pacific is believed to bave paid for the UK broker.

Meanwhile, Mr Christopher Castlemau, chairman of National Investment Group (NIG), the large regional broking chain, yesterday declined to comment on reports that he is negotiating a merger with City broking company Capel Cure Myers. National Investment Group

was set up in 1986 when seven regional stockbrokers merged to meet the challenges of Big It now includes eleven for-

merly separate firms. Its main shareholders include Electra Investment Trust, Royal Life Holdings, and Smith New Court.

#### **PIC Capital Group**

has changed its name to

## PIC Europe

The address remains:

1 College Hill London EC4R 2RA

Telephone: (071) 283 8122 Telefax: (071) 248 2984

#### **PIC Europe**

is an affiliate of



PIC Europe is a unit of The Prudential Investment Corporation incorporated with limited liability in the State of New Jersey, U.S.A. ported the takeover, the NDP

has generally been hostile towards hig foreign takeovers in key sectors of the economy.

The party made no specific commitments on the Britgas deal however, and may allow it

to proceed rather than run the

risk of severely damaging for-eign investors' confidence. Neither Britgas nor Consum-ers' present controlling share-

holders, GW Utilities, have so far commented on the implica-

tions of the NDP's surprise

election win. A Britgas spokes-man in Toronto said: "We are not going to prejudge what the new government's attitude would be."

Share prices of other compa-nies which may be vulnerable to the NDP's interventionist

platform also fell sharply on the TSE last Friday. They included banks and real estate

and construction companies,

which could be hardest hit

respectively by proposals for a

minimum corporate tax and a special tax on property specu-

the object of the strategic move

is to ally SGS's design exper-

tise with Astec's experience in the power conversion industry.

"We will have a much better chance of winning more busi-

ness from our existing customers if we can provide state-of-the-art design in power conver-sion and supply."

Astec recently signalled a recovery from the downturn at

the company in 1988, when profits slumped from £16.4m to

In March 1989, the US electri-

cal company Emerson Electric took a 45 per cent in Astec. Astec made £5.7m before tax

last year, but acquisitions from

Emerson helped the group to a £5.1m profit in the first half of

posal, USM-quoted Thornton

will have cash at bank of £5.3m

and an outstanding long-term

bank loan of £1.5m.

£6.2m before tax.

Mr Marshall said yesterday:

By Bernard Simon in Toronto

LAST WEEK'S election of a left-leaning provincial government in Ontario has put a question mark over British Gas's proposed C\$1.1bn take-over of Consumers' Gas, Can-ada's biggest natural gas dis-

Concern that the incoming New Democratic Party government might not approve the deal or impose unacceptably stringent conditions on Britgas, pushed Consumers' share price down by almost 10 per cent on the Toronto stock exchange on Friday. Consumers closed at C\$28.87,

well below Britgas's offer of The Britgas deal still requires the consent both of the Ontario provincial govern-ment and the federal authori-

The Ontario Energy Board held exhaustive hearings into the proposed takeover during the summer, and is preparing a report for the provincial gov-

While the board's staff sup-

ASTEC (BSR), the electronic components manufacturer based in Hong Kong, is to link up with the Franco-Italian

semiconductor group SGS-Thomson Microelectronics to exploit the market for high-

technology power conversion

tional, already designs semi-

conductors for power supply equipment used in computers,

callular telephones, printed cir-

cuit boards and audio-visual

The group is a customer of SGS, which also supplies semi-

conductors direct to equipment

manufacturers. SGS is jointly-owned by Thomson-CSF of

France and IRI-Finmeccanica

of Italy.
According to Mr Peter Mar-shall, Astec's deputy chairman,

of its business service division

were sold in March and June.

Other sectors of the division

for £2.65m cash.

Astec, formerly BSR Interna-

By Andrew Hill

quipment

Astec (BSR) in Franco

GW Thornton £2.65m disposal

GW Thornton Holdings is to Following the proposed dis-

Italian joint venture

Spurs under pressure on possible Maxwell bid By Andrew Hill

TOTTENBAM HOTSPUB, the quoted leisure group which owns the famous London foot-ball club, is likely to come under pressure today to clear up speculation that Mr Robert Maxwell is negotiating a deal which could give him control of the company. Neither the publisher nor

the company were available yesterday to comment on the widespread rumours, but such a deal would be a remarkable U-turn even for the mercurial Mr Maxwell. Only 10 days ago, he announced he wanted to end his financial interest in soccer and put his football club stakes up for sale. Mr Maxwell controls first

division Derby County and his son Kevin heads the second division club Oxford United. The publisher also has stakes in Manchester United and Reading.

Reading.

Any plan which gave Mr
Maxwell more than 30 per cent
of Spurs' equity — either
through the purchase of
shares or the underwriting of
a rights issue — would precipitate a full bid for the company.
The publisher would also run
up against Football League up against Football League rules which prevent any inves-tor controlling two clubs at

Spurs' largest shareholders are Mr Irving Scholar, the club chairman, who owns 26 per cent, company chairman Mr Paul Bobroff with about 11 per cent and Mr Tony Berry, the in-chairman of the Blue Arrowsemplement agency who owner employment agency, who owns some 8 per cent.

CU acquires 4.9% Levitt Group stake

Commercial Union, the large composite insurer, has paid 27.35m for a 4.9 per cent stake in the Levitt Group, the inde-pendent financial adviser. part of the restructuring of

the ownership of the Le The deal is part of a general restructuring of the ownership of the Levitt Group, following the repurchase of a 83 per cent stake in LEVIIT held by LIT in January this year. Chase Manhattan, General

Accident, and Legal & General have already purchased 4.9 per cent stakes in Levitt. The present deal is likely to be the last

Mr Harris Raphael , Levitt weekend that the group was now looking to the German and Japanese markets for the next stage of its developer

	CROSS BORD	er deals		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Dreedner Bank (W Ger)	East German joint venture	Banking	2117m	Stake upped to 85%. Target: Integration
Steetley (UK)/ Imétal (France)	Joint venture	Building	N/A	Continuing industry trend
NatWest inv Benk (UK)/ Opi-Ichi Mutual Life 	DaiNat (jv)	Investment management	N/A	Marrying skills
Singapore Agrospes (Singapore)/Qualitair Aviation Group (UK)	Qualitair Rotables Service (jv)	Aircraft servicing	NA	everseas beach head
Redisso (UK)	Schledel (W Ger)	Building	£30m	Strengthening position in growing market
ORU (Japan)	Technitron (UK)	Printer distribution	£25m	Preparation for Single Market
BBA Group (UK)	Texstar (US)	Plastic components	£15,6m	Product diversification
Pierre Cerdin (France)	Plerre Cardin perfumes	Perfumes	N/A	Buy-back from American Cynamid
Royal Bank of Scotland (UK)	Bank of New England - Old Colony	Bunking	219.2m	Purchase via existing New England subsid
arios (Spain)	Albert Fisher Larios (50:50 Spanish (v)	Food processing	25.4m	Venture seeks iberian acquis

Text comes here (do Control+T to type), in bold, ending first sentence with writes Brian Bollen.



CALOR, ROWENTA, SEB. TEFAL

1890 TARGET CONFIRMED

ACTIVITY IN THE POST HALF-YEAR

Business achieved during the first six months was conform to our objectives : . In France, the Group returned to a satisfactory rate of growth with sales increased by 6 % compared with the first six months of 1989.

In Germany, sales were up by 4 %. Flowence improved its mergins and concentrated on tay products, while Tefal achieved an excellent growth rate.

International business continued to increase at an encouraging rate (up by 14 %), particularly in

(in millions of FRF)	June 30, 1990	June 30, 1989
Net sales	3,277	2,956
Operating income after interest	130	97
Net income	41	23

PROSPECTS FOR THE FULL YEAR

Despite the international crisis which has just emerged, the Group remains confident about the possibility of achieving sales of FRF 7.2 to FRF 7.3 billion (+ 8 % approx.), and reaching 1990 target of FRF 500 million of operating income after interest as announced at the end of March (+ 20 %).

#### Corporate raiders on the run, for the moment Ron Brierley is changing his investment tack. Andrew Bolger reports

HE BUSINESSES associated with Sir Ron Brierley, the enigmatic New Zealand entrepreneur who this spring unsuccessfully laid siege to Vickers, are shifting their focus away from corporate raiding - at least for the time being.

Sir Ron appeared in London in April when Vickers share-holders overwhelming defeated his plan that the engineering and defence group should demerge its Rolls-Royce Motor Cars subsidiary.

The proposal was tabled by

IEP Securities, which spent more than £100m in building a 20 per cent stake in Vickers. The British-registered IEP is an investment vehicle controlled by Brierley Investments
Ltd, the New Zealand company
he founded 29 years ago.
Sir Ron has this year stepped
back from day-to-day running
of the business. He has only a 4
per cent stake in BIL, and earlier this year he handed over
the chairmanship to his dep-

the chairmanship to his deputy, Mr Bruce Hancox. Mr Paul Collins, chief executive of BIL, said 90 per cent of the decisions taken by the

company did not involve Sir

Ron, who was now free to con-

centrate on what he does best

opportunities. Sir Ron has the title of four-Sir Ron has the title of founding president of BIL but does
not draw a salary. Mr Collins
said: "He's very cheap to keep.
Ron does not like carrying luggage, so we pay for a hotel
room in London 365 days a
year where he can keep his
suits. We did the same for him
in Sydney until he bought a
house there."

Mr Collins, who was visiting
London last week, said IEP's
stake in Vickers fell into a difficult category, where they

ficult category, where they would not wish to sell at the present price level, but cer-tainly would not wish to buy another 10 per cent either. IEP paid an average of 200p for its Vickers shares, which

on Friday closed at 216p. Mr Collins said the increase more or less covered the carrying costs of the investment, and IEP had been at least partly successful in getting Vickers to give the City a better idea of value of its assets.

More generally, Mr Collins said IEP had decided to con-centrate its resources on the company's major UK invest-ments - its stakes in Tozer, Kemsley & Millbourn, the motor distributor, and Mount

Charlotte Investments. Britain's second biggest hotels - researching investment

group.
IEP already owns 76.1 per cent of TKM and has obtained shareholder approval to buy the rest of the company for £90m in cash. TRM, which is chaired by Sir Ron, felt that the size of the IEP holding had led to a lack of institutional demand for the shares, and as a result its share price did not reflect the group's improved profitability.

Last November IEP took up

its full entitlement to the rights issue by Mount Char-lotte which the group used to help fund its \$645m purchase of the Thistle Hotels chain and an IEP director joined Mount Charlotte's board.

Mr Collins does not rule out

making further acquisitions in the UK, and said IEP had sev-eral deals under review. But in general he felt the British equity market would get worse before it got better and there would be likely to be even better bargains around in six months' time.

BIL's focus on investment in the UK has been accompanied by disposals in the US, New Zealand and France. Mr Collins said IEP been

Paul Coilins: does not rule out making further UK acquisitions reducing its US exposure, partly because shareholders there had there had become so litigious. He had been particu-

larly dismayed by the experi-ence of BTR, the British con-

glomerate, which saw its bid for Norton, the US abrasives

In a move unusual among broker dealers, it has recruited

a group of top level computer and telecommunications spe-cialists to provide expertise which can be combined with

BZW's existing skills in invest-

ment banking to provide advice to information technol-

ogy companies over choice of

targets for merger or acquist-

The new information tech-

nology group will be headed by Mr Laslo Gross, formerly a spe-

cialist in strategic planning at

AT&T, the US telecommunica-tions giant. The group will be headquartered in Short Hills,

New Jersey, where Mr Gross and his senior colleagues live,

but the plan is to offer merger

and acquisition services on a

BZW hopes to exploit the global trend to consolidation in

the information technology industry as individual players seek to achieve the critical

mass to become one of the few

significant competitors expec-

ted to survive the 1990s

world wide basis.

maker, defeated by strong local opposition to investment from Mr Collins said many US

states had now passed laws which meant stakes in US companies could be frozen indennitely by court action.

Mr Gross, while still at

AT&T, was involved in the

acquisition of Istel, the major

UK computing services com-

RZW already specialises in

merger and acquisition in a number of specialised sectors

inleading aerospace, the motor industry, pharmaceuticals and energy but this is the first time

it has established a separate

group to offer analysis and

advice. Its competitors will include Broadview Associates

of the US and Regent Associ-

Northern Foods, the dairy, meat and groceries producer, has bought Palethorpes and

Mollington Farmhouse Cheese for a total of £15.5m.

The company has paid J

Sainsbury £12m in cash with a

deferred consideration of £2m payable in one year, for Pale-

thorpes, a Shropshire-based

meat pie, pizza and sausage

ates in the UK

Northern Foods

£15m purchase

#### **NEWS DIGEST**

#### Perry 42% interim fall to £2.21m

PERRY GROUP, Hertford-based motor dealer, reported pre-tax profits 42 per cent lower at £2.21m, against £3.78m, in the first half of 1990. Turnover was lower at £172.53m (£178.35m). After tax of £736,000 (£1.37m) earnings per share came out at 7.9p (13p). The interim dividend is being maintained at 2.75p.

The pre-tax figure was struck after interest charges little changed at £1.37m (£1.32m) and finance leases of £457,000 (£427,000).

Magnolia profit downturn

Pre-tax profits down from £715,000 to £501,000 were announced by Magnolia Group, the Southend-on-Sea based maker of picture frame mouldings, for the six months to

Earnings per 10p share fell to 5.56p (7.97p) but the interim dividend is maintained at

A major reduction in retail activity had continued in the early part of 1990, the directors

Turnover improved to £11.57m (£11m) but cost of sales rose to £8.58m (£8m). Interest payable was £136,000 (£127,000) and tax took £182,000 (£258,000). Shareholders in Acatos and Hutcheson are likely to be offered 130p per share by the group's chairman, Mr Ian Hutcheson, who wants to take the edible oils processor pri-

**Butte Mining** 

attempts

merger

Australian

By Kenneth Gooding. Mining Correspondent

Mining,

London-listed company with Interests in Montana in the US

and Staffordshire in the UK, is attempting to form a medium-sized gold mining group by merging with two Australian

concerns, VAM and Perserver-

After making the all-share bids, worth a total of A\$71.14m (£30.79m), Mr Alam

said that institutional loves

tors were no longer very inter-

ested in small gold mining

He suggested the three com-panies combined would have a much better future than if

they continued to go their sep-

arate ways. Together they would have a market capitalisation of about

£40m and produce about

reaction from the target com-panies which share the same

SUPER ALPHA

U.S. 6116,000 cod

Rate 8.8125% p.s. Intern

ance Corporation.

An independent committee of directors of Acatos and Hutcheson, which is being advised by S.G. Warburg, said it would recommend such an offer in the absence of a higher

County NatWest, advisers to Mr Hutcheson, has informed the committee that it is at an advanced stage of negotiations with prospective investors and bankers with a view to making

a 130p cash offer. County NatWest intends to make available to accepting shareholders both a loan note alternative and a convertible loan stock alternative for shareholders who wish to retain an unquoted equity interest in the company. Butler Cox, a London-based

consultancy specialising in information technology, saw its share price drop from 178p to 75p on Friday following poorer than expected first half results results

First half 1990 sales were up 25 per cent at £5.2m, but pre-tax profits fell 37 per cent to £400,100.

During the year, the com-any acquired the Cranfield IT Institute which contributed about £400,000 to revenues in the first half but made a loss of

Earnings per share were 4.7p The interim dividend is 1.75p

**Mallett rises** 36% to £2.68m

Mallett, the London antique dealer in which House of Fraser holds a 29.98 per cent interest, returned profits of 22.68m pre-tax for the first half of 1990, up 36 per cent on last

Turnover expanded from

£6.04m to £8.36m and from earnings of 12.6p (9.27p) the interim dividend is being stepped up by 25 per cent to 2p per 5p share.

Storehouse, stores group, has bought in 59 per cent of its 569m 4% per cent convertible Eurobond last week, spending about £43m in the capital mar-kets by the close of the offer at 4pm last Friday

When the offer was announced the company was hoping to buy back and cancel around 20 per cent of the issue but the high level of accep-tances will allow it to writeback up to £4.4m of provisions in the current year.

Hobinson Bres sharply lower

First half profits of Robinson Brothers (Ryders Green), a manufacturer of organic chemicals, were adversely affected by unfavourable exchange rates, continued high interest rates and fluctuations in

The six months to end-June saw profits fall from £1.44m to £410,000 pre-tax from a turn-over of £10.45m (£11.88m) - the company's ordinary shares are not listed.

Directors warned that trading in the second six months had continued to be difficult and added that it was evident that the full year outturn would not approach the levels reached in 1988 and 1989.

W2W sets up merpers division

1.6

Barciays de Zoete Wedd, the UK-based market maker, is establishing a new division to facilitate mergers and acquisi-tions among information technology companies.

Total

year

13 5.25 7.75

SPONSORED SECURITIES

italisatio £000's	company	Price	Change on week	Grosi div (s)	Yield	P/E
8974	Ass. Brit. Ind. Ord	277	-3	10.5	3.7	7.5
600	Armitage and Rhodes	24	ő		3.1	13
141637		180	ō	4.3	2.4	17.5
18249	Bardon Group Cr. Pref. (SE)	106	ā	6.7	6.3	A1.3
4173	Brity Technologies	54	-1	5.9		_
12.0	Brenhill Coov Pref	82	å		8.6	6.1
1178	CCL Group Ordinary			11.0	13.4	
2000	COL Comma 12 Ch. Com. Co.	310	-2	24.7	4.7	3.8
	CCL Group 11% Conv Pref	160	-L	14.7	9.2	-
16740	Carbo Pic (SE)	220	0	7.6	3.5	12.9
770	Carbo 7.5% Pref (SE)	110	ā	10.3	9.4	
-	Magnet Gp Non Voting A Cnv*	8.1	ā		***	_
-	Magnet Gp Non Voting B Cmr4,	0.1	ŏ			
3903	isis Group	49	ă	8.0	16.3	2.8
20827	Jackson Group (52)	97	ă	16	3.7	تت
20898	Malt/house N.V. (AmstSE)	268	+18	2.0		
1448	Robert Jenkius	142rd	+1	10.0		
15264				10.0	7.0	5.2
	Structions	318	-2	18,7	4,0	8.5
	Unistrut Europe Com Pref	173	9	9.3	5.4	-
3762	Veterinary Drug Co. PLC	228 mg	-1	22.0	9.6	9.4
8244	W. S. Yeartes	368	-2	16.2		30.7
corities :	designated (SE) and (USAF) are dealf	in make			lee lane o	4

the ISE. Other securities fisted above are dealt in subject to the rules of TSA These securities are dealt in strictly on a matched burgain basis. Neither independent. Companies Exchange Limited oor Gracelise Davies Limited are market makers in these securities are dealt on a restricted basis. Further details available

U.S. \$150,000,000

Bank & Irelan

**Undated Floating Rate Primary Capital Notes** 

FTSE 100

Sept. 2128/2138 -8 | Sept. 2614/2626 -24 Dec. 2185/2195 -8 | Dec. 2644/2656 -24

Independent Companies Exchange Limited 77 Mansell Street, London ETSAF Telephone 071-488 1212  $\overline{\mathsf{G}}$ 

Granville Davies Limited 77 Mansell Street, London El SAF Telephone 071-488 (212

#### Western Mining Corporation Limited

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue, 10n capital increased by rights and/or ecquisition issues, §USM stock.

DIVIDENDS ANNOUNCED

payment payment

1.75 3.93

US\$50,000,000 9% Bonds 1992

S. G. Warbung & Co. Ltd. announce that the redemption instalment of Bonds due 15th October, 1990 for a nominal value of US\$937,000 has been met by purchases in the market. US\$29,999,000 nominal amount of Bonds will remain outstanding after 15th October, 1990.

ing Bonds previously drawn for rede ated below have not yet been presented for payment:-15th October, 1987 1 7830 17 17795 15th October, 1986 84

10th September, 1990 

Government Secs.
Fixed Interest
Ordinary

FT-Act All Share

FT-SE 100



In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from September 10, 1990 to December 10, 1990 the Notes will carry an interest Rate of 8%% per annum. The interest payable on the relevant interest payment date, December 10, 1990 will be U.S. \$208.54 per U.S. \$10,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank September 10, 1990

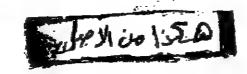




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#### COMPANIES AND FINANCE

## NZ Government backs settlement of DFC debts

THE New Zealand Government is to back a settlement between DFC New Zealand, the merchant bank which collapsed last year, and international creditors owed NZ\$2.2bn

The Government's involvement is a move to patch up a rift with the international financial community over the collapse of DFC, which was privatized in 1992 vatised in 1988.

When the scale of financial problems at DFC came to light in October 1989, Finance Minister Mr David Caygill refused to sanction government participa-tion in any refinancing, forcing the Reserve Bank to appoint statutory managers with court protection.

Many creditors had earlier understood there to be "an implicit guarantee" that the authorities would support DFC after privatisation.

The biggest creditors are a circle of leading Japanese banks holding DFC Eurobonds and short-term commercial paper including Bank of Tokyo, the Long-Term Credit Bank of Japan and the Industrial Bank of Japan.

The New Zealand Government's refusal to support DFC last year caused a financial rift between the two countries.

between the two countries. There was also concern that DFC's last set of published accounts in May 1988, signed

creditors and Mr Sandy Maler, DFC's statutory manager.
Creditors will be offered a mix of fixed-rate seven year bonds and variable-rate five

of principal by the end of the seven-year period. The New Zealand Government will sell seven year zero-coupon bonds, issued well below par, to DFC. DFC will meet redemption payments on its creditor bonds out of the maturity of the Government stock. In this way the Government hopes to make the package acceptable to DFC creditors without actually guaranteeing DFC debt - a move it has always resisted.

by the Government Auditor,

did not reflect the serious prob-lems at the bank.

However, according to representatives of big creditors, legal action over the accounts

year bonds. The exact mix will

depend on each individual claim against DFC. The bonds will bear interest

at sub-market rates, with the

rate on the five year bond dependent on cash flow gener-ated from an orderly realisa-

tion of DFC's assets. But Maier has indicated that most credi-

tors will receive full repayment

#### Pemex to launch \$150m bonds to yield 113/4%

By Tracy Corrigan

THE RETURN of Mexico's basis points above the compelargest company, Petroleos Mexicanos, to the Eurodollar though the improved perceptions. bond market is scheduled for September 19. The state oil company is the tenth largest industrial group in the world, with assets of \$450n, and the fourth in the oil industry.

Pemex plans to launch

\$150m of bonds due October 25, 1993. The bonds will be priced to yield around 11% per cent. It will be paying more than 200 tion of Mexican debt has allowed a significant reduction in costs.

Lead manager Swiss Bank Corporation said there has been interest from Japanese, European and US investors in the course of pre-marketing, with the added promise of demand from Swiss Bank's

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September 10, 1990 London
By: Cltibank, N.A. (CSSI Dept.), Reference Agent CITIBANG

## BusinessWeek

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#### Bonn uses promissory notes to finance unity

THE West German Government has been raising money through promissory notes or Schuldscheindarichen (SDs) for the first time since 1984 as a means of financing the growing costs of German unity, according to Finance Ministry officials. is now unlikely.

Details of the settlement emerged following private meetings in London between

Ministry officials.
The Boun Finance Ministry has issued DM3bn (\$1.9bn) of promissory notes for domestic and foreign investors during the past few weeks for the German Unity Fund (GUF), the mechanism to channel cash to

East Germany.
This is in addition to DM9bu raised for the GUF through public bond Issues. The exis-tence of the additional SD funding route explains the Finance Ministry's relative equanimity about the failure last week of the first public auction of unity bonds.

The Ministry believes any Unity Fund shortfall can be made up through promissory note issues. The GUF plans to raise DM20hn by the end of the year, so another DM8bn in borrowings - through a mix of instruments - is scheduled for coming weeks.

The Finance Ministry, which is managing East Germany's funding programme until full unity takes place on October 3, has also recently issued just over DM6bn worth of promis-

sory notes on behalf of the Last German Government.

This is on top of just under DM6bn of non-interest bearing Treasury discount notes which have been auctioned publicly The paper is issued in the name of the East German Finance Ministry, with a West German Government guaran-

East Germany has thus raised DM12hn directly in its own name in the last few weeks, DM2hn more than the target for the second half of the year set down under the borrowing programme con-ceived during the summer.

Bonn now accepts that the mooted DMAZhn budget deficit for East Germany in the second half of the year — to be financed both by the GUF and by direct East German borrowing - will be overshot by at least DM10bn.

Foreign investors, including Japanese investment houses. have been showing interest in Unity Fund issues, partly because these bonds and notes reflect a means of diversifying

borrowers' names. Japanese investment houses have gone so far as to ask the Finance Ministry to launch a private offering of D-Mark Unity Fund paper exclusively for Japanese investors. A similar proposal – for a Unity Fund issue tailored purely for French investors – has been made informally by French

The Finance Ministry has so far turned down the idea of splitting up geographically the Unity Fund's borrowing pro-gramme, on the grounds this would introduce unnecessary murket distortions.

Bundesbank's formidable task,

Yen 699.70.

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effect from 6th September, 1990.

Dated: 10th September, 1990

## Pharmaceuticals debt proves hard pill to swallow

William Dawkins examines the performance of Rhône-Poulenc

Riagship of the French state-owned chemicals industry, looked low in the shares - have underperformed industry, looked low in the water last week when it revealed a 12.9 per cent decline in net profits, worse than most analysis' already pessimistic forecasts.

Investors' nerves must have been hardened recently by a series of poor results from the world's leading chemicals

companies. But Rhône-Poulenc's fall in net profits from FFr2.5bn (\$477m) to FFr2.2bn on sales up from FPr37.1bn to FFr89.9bn in the six months to the end of June, still provoked a rash of

selling.
It came with a gloomy warning that the rise in oil prices plus the dollar's continued fall and slower economic growth could hit income even harder in the current half.

A sharp rise in interest payments meanwhile provided a reminder of the debt burden a reminder of the debt burden
the French company has built
up in its aggressive
international takeover spree,
which saw it spend FFr12.4bn
on takeovers last year.
By the end of the week, the
share price was hovering at
around FFr240, 14 per cent
down on the FFr280 at which it
stood before the Wednesday

stood before the Wednesday announcement, while analysts busily scaled back their end of

year profits forecasts.
BNP Securities, formerly one of the more optimistic Rhone-Poulenc watchers, dropped its forecasts by nearly 20 per cent to FFr3bn net profits for the year, which would be a 25 per cent decline from last year's figure of just over Freibn.

The first-half decline in earnings was of the same order - in some cases better - than other leading European chemicals companies' achievements.

And yet Rhône-Poulenc's

share price has taken a much harder hammering than its European competitors. According to stockbrokers

#### Carrefour books advance mid-way

CARREFOUR, the French supermarket group, has reported a strong increase in profits, despite a slowdown in consumption, writes George Graham in Paris.

The company amounced net profits rose by 19 per cent to FFr556m (\$104m) in the first six months of 1990, with sales rising 7 per cent to FFr96.7bn. Sales growth was slower than forecast because of slower consumer spending in France and recession in Brazil and Argentina, where Carrefour

has large subsidiaries. Carrefour is maintaining its full-year forecast of a sales rise of 10 per cent, and a profits rise of 10 per cent to 15 per cent.

the past year, doing roughly twice as badly as the average for other European chemical majors.

Rhône-Poulenc has, like its competitors, suffered from the tall of the dollar and the year against other European currencies, and done better than some in targeting the

the market by 56 per cent over

So why has the French company come in for this hard treatment.

"Part of it is the difficulty investors have in understanding the extent and duration of its restructuring programme. Over the past eight years Rhône-Poulenc has built up a quarter of its sales in pharmaceuticals, a change which does not come cheap," says Jackie Ashurst, European chemicals analyst for James

Capel.

A related reason for the share price underperformance, argues Mr Alastair Kilgour, chemicals analyst at BNP Securities, has been investors worries over Rhône-Poulenc's

Borrowings had risen to 96 per cent of shareholders' funds by the end of June, from 53 per cent in the same month of 1989.

might make Rhone-Poulenc look vulnerable to interest rate rises, compared with competitors like Bayer and BASF of West Germany or DSM of the Netherlands, which

"If not state-owned and looked at in straight terms, one would say this company should be looking for a very hefty cut in its dividend," says one unalyst.

Bowever, the signs are that the French Government is unlikely to allow a big dividend cut, if only because of the damage that would do to the group's future attempts to raise capital.



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PHARMACEUTICALS

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September 10, 1990, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

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July 1990

## BASE LENDING RATES

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U.S. \$35,000,000 5½, per cent. Convertible Bonds
Due 1996 ("Bonds 2")

ADJUSTMENT OF SUBSCRIPTION AND CONVERSION PRICE

Notice is hereby given that the Board of Directors of Renown Inco-torated has passed a resolution on 21st August, 1990 and 29th August, 1990 authorizing the issuances of U.S.\$160,000,000 4½ per cent. Bonds Due 1994 with Warrants and Swiss Franc 50,000,000 5 per cent. Notes Due 1997

As a result of such issuances, the Subscription Price and

Conversion Price have been adjusted pursuant to the terms and conditions of the Warrants and Bonds as follows:

A) The Subscription Price of Warrants issued in conjunction with

Bonds 1 have been adjusted from Japanese Yen 720.30 to Japanese

B) The Conversion Price of Bonds 2 have been adjusted from Japanese Yen 754.00 to Japanese Yen 732.40.

Such adjustment of the Subscription and Conversion Price has

RENOWN INCORPORATED

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## Analysts watch ERM countdown

THE COUNTDOWN for Britain's long-awaited entry into the exchange rate mecha-nism (ERM) of the European Monetary System went on hold early on Friday morning, send-

ing the gilt market into a shudder of disappointment.

The ruling-out by Mr John Major, the Chancellor, of entry over the weekend was accomplished with a firmness that led many observers to believe that Britain was unlikely to Join the mechanism in the immediate future.

That effectively demolished the speculation by City economists in the past fortnight that imminent entry was likely. The analysts now have to go back to their computers, adjusting their models of the effects that ERM entry will have on the

They will have to take into account not just the likely timing of any announcement but other imponderables such as inflation and developments in the Gulf crisis.

To some degree, the recent conjecture in the gilt market about entry has resulted from wishful thinking both about the degree to which Britain has got on top of inflation and the likely course of events in

In the past few months, ERM speculation has boosted gilt prices. Since the warmonger-ing in the Middle East started just over a month ago, this effect has not totally disap-

Mr Malcolm Roberts, an economist at UBS Phillips & Drew, points out that government bond prices around the world have dropped sharply since the start of the crisis, but gilts have held up better than comparable government securi-ties in Japan, the US and West

In the next week or two, in the absence of any signals by the Government on the ERM. gilts prices are likely to fall back to reflect the increasingly pessimistic view of events in the Gulf. In this way the gilts picture will fit in better with worldwide bond price trends.

Many financial commentators remain unconvinced that Britain has inflation, now pushing 10 per cent, under control. A clutch of economic indi-cators due out this week including retail sales today and unemployment and average earnings on Thursday should pinpoint the degree to which Britain's economy is slowing down, providing some insight on inflation.

**UK gilts yields** Restated at par (%) 

11.00 10 years 20 30

Whatever these figures reveal, Mr Major's comments on Friday in which he emphasised the need to continue the battle against rising prices, supported the view that the Government is thinking about ERM in terms of later rather than sooner.

A further signal of a determined government approach to inflation came one day before the Chancellor's statement in the shape of a coded message from the Bank of England, indicating there will be be no reduction in interest rates in the near future.

Peter Marsh Events in the gilt market

month.

**US MONEY AND CREDIT** 

## Name of the game is still Saddam

A COLLEAGUE in Washington summed up the Fed-watching situation perfectly last week. as speculation about whether the Federal Reserve would ease interest rates or not reached

yet another plateau. One day, Thursday, Mr Alan Greenspan, Fed chairman seemed to be warning that an easing was necessary to offset the contraction in credit by America's anaemic commercial

The next day, Friday, Wall Street's hopes of an easing in monetary policy faded as August employment figures – showing the highest unemployment level in two years, 5.6 pe cent - proved to be not as bad

America's legions of telegenic number crunchers meanwhile continued to bob up and down on Financial News Network and CNN with forecasts of recession, more unemployment, interest rate mayhem and oil at who-knows-whatprice a barrel.
"Why doesn't the Fed simply

declare a recession and call it a day?" joshed my dry-as-the-desert interlocutor.
The market seemed half asleep for the first couple of days after the annual Labor

And then it began to lay odds on the Fed's Faustian ease-or-not dilemma.

Then some traders and com-mentators devoted their unspent energy to wondering about the prospects for solving

the US budget deficit.
A further \$50bn of budget cuts were needed, said the negotiators in Washington as they assembled at the start of the weekend for yet another George Bush budget summit, this time amid the highly dramatic setting of Andrews Air Force Base.

At Andrews, Mr Bush said hello and then headed for Hel-

And Dick Darman, the brilliant, but little loved budget director, turned up like a Dick Tracy of American fiscal pol-icy, cajoling, caressing and generally chatting up the deni-zens of Capitol Hill.

Still nothing. Meanwhile, over at the Fed. General Alan Greenspan, the chief officer in charge of Operation Ease-on-Time, had the frazzled look of a tank commander in the Saudi

It's been bad enough for the past couple of years as Green-span and Co have danced on the delicate high wire of growth and inflation.

Now, after six weeks of Oper-ation Desert Shield, the market can think of little else besides the price of oil (in future at \$50 a barrel, claimed a belligerent Iraqi oli minister, on US television) and the relative position of the US dollar (the fastest yo-yo of world currency markets).

It was in this context that the benchmark 8.75 per cent Treasury long bond closed last week with a % spurt on the day to 98% making for a yield of 8.90 per cent, against 8.98 per cent a week before.

As the summer slips away almost everyone expects General Greenspan to mobilise his forces for something of an easing operation, sooner or later most probably sooner. Mr Robert Brusca, chief

economist at Nikko Securities. says the Fed is waiting for the market to rally and to endorse the idea of a weak economy and a lessened inflation threat.

and a lessened initiation threat.
And the market is waiting
for the Fed to go first.
"If you think that this
sounds like a stalemate," said
Brusca, "You're right!"
Nonetheless, a few new mul-

ti-billion dollar arms package sales for McDonnell Douglas and other defence contractors will not lift the US economy out of its lethargic pre-reces-

sion blues alone. Still the Americans persist with their economic dance macabre: Is the economy on the verge of recession or not? Will the Gulf crisis tip America into the darkness of an eco-

Is the coming recession a result of internal or external NEEDWALL TAIL

直接ならばなるがる

factors? Are the fundamentals indicative of a mild recession, a two-to-three quarter recession or will we tough it out?
With the US military

build-up underway these questions may still be relevant, but they are only relative.

The bond market, like the

rest of the world's financial system, is playing a game of wait-and-see. wait-ann-see.
Interest rates might have
been influenced until mid-summer by the Fed's peregrinations, the value of the US dol-

lar, the vicissitudes of Karl Otto Pöhl's Bundesbank and

the Japanese central bank, but the name of the game right now - and for the next 30 days at least - is Saddam Hussein. The yield curve may turn steeper or may flatten in the coming weeks, but no investor, analyst, commentator, banker or trader worth his salt is likely to make much of a long-term decision until we see whether the world's biggest oil fields will remain secure or fall

under the suzerainty of "the Butcher of Baghdad." That appears to be the rudi-mentary situation.

All bets are still off. It's still a game of wait and see.

Alan Friedman

W GERMAN BONDS

## Bundesbank sets itself a formidable task

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To find out why Ameritech continues its healthy financial performance,

THE Bundesbank has set itself a formidable task in altering the issuing process in the primary German government bond market when it is strug-gling with the uncertainties of financing unification.

The embarrassing failure of last Tuesday's auction of Unity

bonds was no surprise. When the consortium met on Monday to set the terms of the fixed portion of the offering, there was disappointment that the first 8.75 per cent issue had been re-opened, rather than a

new 9 per cent coupon offered. The domestic banks argue that 9 per cent is an important psychological barrier with retail investors, and the August postal authorities' issue, which did offer 9 per cent, proved the point. Hence all the bids on Tuesday were well over 9 per cent. The authorities accepted none of

The dispute was not purely

about yields. Indeed, the auction's failure was greeted with giee by large German banks in the consortium. They have been arguing for months that it is unreasonable to reduce the importance of the highly profitable consortium just when they are being asked to place almost record amounts of

new paper.
Ironically for the Bundesbank, it is the foreign banks, which, with their minuscule consortium quotas, have been the most enthusiastic proponents of change.

However, at current yields, foreigners, particularly gloomy about the costs of unification. are not buying bunds.

Meanwhile, veiled accusations fly as to who is responsi-

ble for the flop. The Bundes-bank, as issuing agent of the Government, and proponent of the auction system, sounded unhappy that the bids had been rejected on just the sec-

ond occasion the process was being tested. Finance ministry officials contended they would have agreed to a 9 per cent coupon, presumably at an issue price that ensured the same effective yield.

The Bundesbank may have miscalculated, thinking that enlarging and hence enhancing the liquidity of the old issue

would be preferable. The MoF, which has been

issuing heavily in the Schuldschein (promissory note) mar-ket, may be able to argue it does not need the funds.
The Bundesbank has made

last week - given the general

lack of cheer on the economic front together with Mr Major's

bluntness on the ERM - fol-lowed the predictable pattern. Yields for most types of bonds,

both long and short, rose,

indicating a slump in prices.

Over the past 10 days the fall in yields for some short-term bonds which had been evident in recent weeks — indicating a

rosier view by the market of

prospects for lower interest

rates - started to peter out. That had the effect of reducing

the trend towards a flattening of the yield curve which has

excited comment in the past

is anyone's guess. Many economists believe a move by Britain on ERM is not likely

until December. By this time, the political momentum for

entry, coupled with a reduction

in interest rates, may well have become irresistible.

ERM will be good for long-term

market prospects. They are

hoping that what many have taken to be a delay in the ERM launch will be followed by a successful blast-off in the not-

too-distant future.

Most gilts analysts believe

What happens from now on

much of the fact that the German market has fallen less since the Gulf crisis than overseas markets. The absence of give and take could jeopardise that stability.

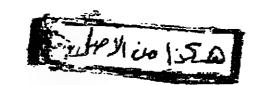
Katharine Campbell

	PERFORMANCE INDEX										
December 1903 → 100	6/9/90	Andrage yield (%)	Last	12 wis	26 wits ago						
Overall	141.9	8.23	142.04	146.04	142.58						
Gonomeest Bonds Moulcipal Bonds Gort - guarantee Bonds Bank Debenters Corporate Bonds Vac-duron, Forniga Bonds	139.08 143.74 147.01 140.91 146.41 152.00	8.26 8.19 8.17 8.29 7.99 8.26	191.% 101.% 147.04 141.05 146.22 152.23	144.52 148.40 150.58 143.20 148.54 153.96	140.44 144.38 146.68 139.57 146.61 152.09						
Germani, 10-years	7.67		7.54	ê,53	6.83						

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. BOLLAR STRAIGHT ASSEY NATIONAL 67/8 93. ASS 9 1/8 94 \*\*\*\*\* FINLAND 53/8 95
EENERAL MOTORS 7 1/2 95
JAPAN DEV BK 5 1/2 94
MOUNT EA FINANCE 3 3/4 94
MEW ZEALAND 4 7/8 99
POLLY PER KITH, FIN 6 1/4 96
GUEBEC HYDRO 5 08. 11 EAT 0 1/2 03 X 6 1/2 95..... 1/894 1/894 1/894 粪 CIFIC 7 1/2 %.... FIN SERVO 94.... +07 100 to 10 では 75/890 BK FIN 85/894... EALAND 7 3/4 93 KONTROLLBANK 8 5/8 94\_\_\_ -01 +.促 BASEL VI696 E BK FIN 11, 94 DIT FUNDING 9 5/8 93.... EV 11 3/8 95 REAL ESTATE DEV......

STRAIGHT BONDS:Yield to redemption of the bid-price. Amount issued is expresses to minions or corrowny miles.
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#### INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL LENDING

## Roche secretive over \$2bn financing

the company had signed a \$2bn bridging financing.

It said the facility was with a bank group which "includes" Swiss Bank Corporation as senior lead manager. Amstersenior lead manager, Amsterdam-Rotterdam Bank, Banque Nationale de Paris, Deutsche Bank (Luxembourg) and Fuji Bank. Apart from stating that the financing was for the \$2.1bn acquisition announced in February of Genentech of the US, the statement disclosed

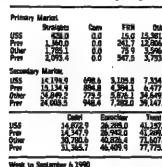
Officials of Swiss Bank said they were constrained by Roche from throwing more light on the financing. But the suggestion is the caginess stems from the absence of the other two big Swiss banks from the announcement - and presumably therefore from the

Roche itself was apparently the arranger of the financing and the explanation for the absence of Union Bank of Switzerland and Crédit Suisse appears to be that the pricing of the loans, though not dis-closed, was too tight for their

Bankers report a varied response to the financings of the UK electricity distribution companies. While some syndications are complete, others named several times were those for the East Midland and South-Eastern companies -

are said to be having difficulty. A \$750m year corporate credit being arranged for American Airlines by Credit Suisse First Boston carries a

#### EUROWARKET TURNOVER (\$m)



NOT for nothing are Switzerland's companies known for their secrecy. A cryptic statement put out by Roche Holdings last week said the company had signed a 22hn 15 basis points respectively if the company is downgraded by both of the main US rating

Its current rating is A- and A3. Utilisation fees of 5 basis points are payable if more than third is drawn and 10 basis points if more than two-thirds drawn. Thyssen of West Germany enlarged a corporate credit arranged by J.P. Morgan to \$1.2bn from \$1bn after suc-

cess in syndication. Mitsubishi Bank launched a \$100m six-year term loan for the Hellenic Aspropyrgos Refi-nery, guaranteed by the Bank of Greece, at more generous terms than the recent market forays by Greek borrowers. The loan carries a two-year grace period and a margin of 50 basis points for two years and 55 basis points hereafter.

The loan, underwritten by Mitsubishi, Dai Ichi Kangyo, Fuji, Standard Chartered and Hill Samuel, should be zero weighted for bank capital adequacy purposes. Front-end fees range down from 40 basis

Stephen Fidler

#### German bank in Spanish deal By Katharine Campbell

BAYERISCHE Vereinsbank, the Bavarian-based institution is expanding its European presence through a co-operation agreement with Spain's Banco de Sabadell.

The primary areas of focus will be commercial lending, stockbroking and corporate Vereinsbank has for some years emphasised Mediterra-

nean countries in terms of its expansion abroad. In 1969 the

bank opened a branch in With a balance sheet of around Pta890bn Banco de Sahadell is among Spain's 10 big banks. Its domestic network has 290 branches, concentrated around Barcelona and Madrid, the Spanish Mediterranean coast and the

INTERNATIONAL BONDS

المرابعة على الأخيابية الأميار الأخيار للسائل المرابعة المستند الأراث المرابعة المرابعة المرابعة المرابعة المر المرابعة للمرابعة للمرابعة المرابعة المرابعة المرابعة المرابعة المرابعة المرابعة المرابعة المرابعة المرابعة ال

## Fund managers reassess conventional wisdom

THE CONVENTIONAL wisdom is that fund managers, sent into a spin by the Gulf crisis, switched out of bonds into money market instruments. The flight to the relative security of shorter-dated securities caused a steepening of the yield curve in most bond markets.

Institutional investors are now reas-sessing this stance. With the proviso that full-scale war does not break out in

the Gulf, many believe bond markets are offering attractive returns.

"It's like being a racing driver. When you see a car crash in front of you, your instinct is to slow down, but your tactic should be to accelerate and win the race," said Mr John Kibble, deputy head of capital markets at Westpac.

Most fund managers are at least changing gear. "We were very heavily in cash, but now see... a buying opportunity," said Mr Peter Zoll, managing director of SBC Portfolio Management International.

Some investors argue that the mar-

kets have already discounted the strife in the Gulf to a large extent. In the meantime the likelihood of recession continues to favour the performance of bond markets.

"The Gulf crisis gives us better oppor-tunities to buy bonds at high yields, rather than reason to be afraid," says Mr Axel Benkner, manager of the DM23bn INTER-RENTA fund at DWS, the fund management arm of Deutsche Bank. Currently the INTER-RENTA fund has around 20 per port in demosits fund has around 20 per cent in deposits, and most of the rest in short-term securities up to two years, but is prepared to extend out along the the yield curve.

Most fund managers are now ready to extend duration. Japan, where rates are historically high, and France, which has slumped more than most in the wake of the Gulf crisis, appear to be the most favoured markets.

There appears to be a general shift towards Europe, excluding Germany where the uncertainties of reunification are proving a disincentive, and away from the US. Some managers favour sterling bond markets, because they think the prospect of ERM entry will support the markets, Robert Stirling, bond fund manager

at the GT fund management group, said the advantages of short-term holdings have largely disappeared. Therefore, he will be moving out of cash positions

adopted in higher-yielding markets like

Spain and the UK.
Currently, holdings are around 30 per cent cash or cash instruments, and only 20 per cent in bonds at more than five years, but that maturity profile will soon be lengthened. For the first time in several years, he will be moving back into the long end of the yen bond mar-ket from a position of holding yen cash. Mr Zoll of SBC also favours Japan, at

moments of weakness, both for the interest rate and currency outlook. "We are a little cautious on Germany. But there will be good real returns on bonds in Switzerland and France." he says Mr Stirling of GT also thinks the best

value is in Europe, again citing France, as well as peripheral markets such as Denmark. Geoff Blanning, senior portfolio manager at Bankers Trust Asset management, has moved into Australian government bonds, three and four-year BTANs (French Treasuries) and Japanese government bonds. There is agreement, broadly, that cur-

rency is the most dangerous exposure. Some, like Mr Blanning, hedge all cur-rency exposure. Others, depending on their clients' profile, are just more cau-

tious. GT's Mr Stirling agrees: "We are certainly laying greater emphasis on the currency rather than on interest

Mr Zoll of SBC says he is hedging currency positions more than before because many of his clients are dollar-based. "We don't feel very good in dol-lars, so are reducing our client's exposure to dollars."

Most fund managers said their

approach to credit quality has not changed as a result of the Gulf crisis. For many, stricter attitudes to credit ratings were adopted some time ago.
Some managers feel the markets are still too unpredictable to take positions. Mr Michel Gonnard, portfolio manager at Kemper Investment Management, says he is reducing exposure on most bond markets and taking a more neutral position. He is measuring portfolios against bond indices such as Salomon's

as a way of hedging exposure. He said: "We have reduced our bets on various markets. We had substantial positions in Europe which we have

#### Citibank to issue FT-SE warrants

**By Simon Landon** 

CITIBANK is to issue up to 5m index warrants on the FT-SE index of 100 leading shares. Citicorp Investment Bank is acting as sole lead manager for the two-tranche issue, which comprises 2.5m call warrants (giving holders the right to buy) and 2.5m put warrants (giving holders the right to sell).

Investors will receive the difference, on the exercise date, between the "strike" price of 2,130 on the FT-SE and the closing FT-SE level.

Both warrants can be exer-cised any time from October 8 1990 and September 30 1992. The call warrants are priced at £4.35, giving a premium of 20.4 per cent and gearing of 4.9 times. The put warrants are priced at £2.00, giving a Tracy Corrigan premium of 9.4 per cent and gearing of 10.7 times.

y >,							NEW INTE	RNATIO	NAL BOND ISSUE	ES						
d }-	Borrowers	Amount m.	Maturity	Av. Ilfe years	Coupen	Price	Book runner	Offer yield	Borrowers	Amount m.	Maturity	Av. Ilfe years	Coupon	Price	Book runner	Offer yield
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	Bank of Tokyot  Mitsui Taiyo Kobet  Kawasaki Steel Carp.  Trips Ltd**  Nippon Kinzaku Co#(z)  Sunkyong Ind Ltd%  Itoman & Co. ##  Merrill Lynch Bank AGt #(v)	700 1bn 050 70 70 40 200	2000 2000 1894 1882 1984 2005 1994 2000	10 10 4 2 4 15	1 1/2 (5 1/4) (b) (c) (d) (5 1/2) (5 1/2) (5 1/2) (5 1/2) (5 1/2) (6 1/2)	100 100 100 100,10 100 100 100 100	Bk of Tokyo Cap.Mkls. Mitsul Telyo Kobe Int. Nomura Int. Toyo Trust Int. Nikko Securities Mikko Securities Nomura Int. Nomura Int. Merrill Lynch Int.	1.500 5.125	Nationwide Angita Bid.Soc. ♦(r) British Gas Pic ♦(a) Lesmös ♦ (ad) Morigage Securities(no2)‡ ♦ TMC PIMBS(No.5)‡ ♦(a1) YEN	75 175 90 (f) 250	1884 1993 2005 2028 2028	4 3 15 38 38	13 <sup>5</sup> g 13 7 <sup>1</sup> 4 (g) (a2)	102.10 101.52 100 99.50 100	Samuel Montegu CSFB SBC J.P. Morgan Secs. Salomon Brothers Int.	12.920 2.497 7.750
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Issue Price 100 per cent.

Yamaichi International (Europe) Limited

Daiwa Europe Limited IBJ International Limited Nomura International

Barclays de Zoete Wedd Limited Kleinwort Benson Limited Bank of Tokyo Capital Markets Group Chase investment Bank

Lehman Brothers International Morgan Stanley International New Japan Securities Europe Limited Salomon Brothers International Limited

Yasuda Trust Europe Limited Banque Indosuez Citicorp Investment Bank Limited

Cosmo Securities (Europe) Limited Robert Fleming & Co. Limited Kidder, Peabody International Limited LTCB International Limited Marasan Europe Limited

Mitsubishi Trust International Limited Nippon Credit International Limited J. Henry Schroder Wagg & Co. Limited Société Générale

Taiheiyo Europe Limited Towa International Limited

Toyo Trust International Limited

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Credit Suisse First Boston Limited Merrill Lynch International Limited Baring Brothers & Co., Limited Dresdner Bank Aktiengesellschaft Mitsui Taiyo Kobe International Limited NatWest Capital Markets Limited Nippon Kangyo Kakumaru (Europe) Limited S.G. Warburg Securities Amsterdam-Rotterdam Bank N.V. BNP Capital Markets Limited Commerzbank Aktiengesellschaft

Credit Lyonnais Securities Goldman Sachs International Limited KQKUSAI Europe Limited Manufacturers Hanover Limited Mitsubishi Finance International plc J.P. Morgan Securities Ltd. Paribas Capital Markets Group The Shinyei Ishino Securities Company Limited Swiss Bank Corporation

Tokyo Securities Co., (Europe) Ltd. Toyo Securities Europe Ltd. Universal (U.K.) Limited

Wako International (Europe) Limited

#### WORLD STOCK MARKETS

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9.900 b 850 Ciment CBR 7,170 5 990 d 850 Cobepa 4,950 6 030 d 4900 Da AFV 1 4,950 214 146 Cockerill 155 2,970 1,850 Colrupt 2,4405 6,920 5 000 Delhaize 5 780 4,560 J 755 EBES 3,975 4,490 3,670 Do AFV 1 3,845 544 145 Fabrique Mat 155 1,476 1,194 GB Group 1,290 1,460 1 072 Do AFV 1,290	620   374 5 Ecc.   395   730   51   51   51   51   51   730   51   51   51   51   730   51   51   51   51   730   51   51   51   730   51   51   730   51   51   730   51   51   730   51   51   730   51   51   730   51   51   730   51   51   730   51   730   51   51   730   51   730   51   730   73	232   174   Hambard Evett   193   51.8 365   Hansp Lifors   374   156/98   1,050   Hedelberge Zem   1,100   693 8 5-84   Henkel Prf   5-98   396   212.8   Herlitz   3-33c   1,583   970   Hocknet   231   319   220   Hocknet   227   371   247   Hoesch   247   1,779   1,057   Holzmann IP   1,355   369   200   Horten   232   327   234   Indistriekredit   250   495   271   Indistriekredit   250   495   271   Kail & Salz   179	134.2 IIII Heinelen 114.70 219 165 Holl, Betan 175.02 89.9 51 Hoogovers 59.70 111.5 62.6 Hunter Douglas 65.00 56 36.1 IRC Calland 55.00	SWITZERLAND  1990 High Low September 7 Frs.  2000 10154 Adia Intl 276.0 137.0 De Ptg. Certs 151 1.590 1.050 Alpssisse Lonza 1.165 2.560 1.735 Beloise Lonza 1.165 2.560 1.735 Baloise High 19 6.310 4.580 Berwin Borneri 4.770 1.200 Bill De Ptg 880 2.710 1.920 CS Hidys 1.985 2,820 2.200 Cab Gelgy 2,480
4.630 3.400 Bo. AFV I 3.430 930 648 Gechem 732 930 620 Do AFV 720 5.900 4110 Generale Bank 4 275 6.100 4 350 Bo. AFV I 4.450 8.990 7.500 Gersett 7.500 3.710 2.990 bintercom 3.200 3.640 2.990 bintercom 3.200 4.625 3.450 Kredietbank 3.550 4.653 3.790 Bo. AFV I 3.750 15.430 13.400 Bo. AFV I 3.750	2,700   1,575 Frontageries   1,934   1,812   120   GTM-Emerges   1,341   1,126   802   Gaucou (Go Ni   900   1,409   940   Gee Geophysque   553   484   8   185   Hackette   209   598   470   Havas   495   1,685   1,211   Immetalte   567   1,409   4,801   Industriette   4,000   1,400   4,801	756   602   Karstadt   662   602   603   603   604   603	17 8 10 5 Kemper 10 70 53.5 2515 KNP 42.7 54.5 41.4 nMH Fessham 41.60 76 54 Net Red Gert 58.40 117.5 82.5 Niverdai-Ten © 101.30 106 76 Nutricle Ver 8. 106.00 63.5 44 1 Oce Grinten 44.50 46.8 34 Ommerca (Van) 40.50 225.5 143.2 Pathodd 201.50 47 4 23.3 Philips 24 70	3,820 2,280 Glas Gelgy 2,480 3,080 1,980 Do. (P.D.S.) 2,070 3,540 2,800 Elektrowest 3,200 2,350 1,655 Elyla 1,950 413 240 Bo. Ptg. 252 2,940 2,020 Ferbo 2,020 7,375 5,200 Holderbank 881 5,320 2,350 1,800 Holssteff 881 5,320 2,350 1,800 Jelmoll 1,830 4,55 1,280 Landis and Gry 1,295 147 103 Bo Priority Ptg 111 3,345 1,930 Les Holdings 1,930
6-900 4.610 Do AFV 1 4,630 3.505 2.600 So Gen Beige 2.600 3.650 2.600 Do AFV 2,800 14-700 18.30 Soffma 10.775 15,325 10,525 Softwa 10,525 10,300 5.20 Tessenderio 6.490 10.025 6.120 Do AFV 6.550 9,730 6.710 Tractroli 7,340 9,500 6.700 Do AFV 1 7,340 26-950 16.490 UCB 11,400 25 000 15,900 Do AFV 18,975 2,645 2.060 Userv 2125	1.470 1.015 Intertechnique 1.095 5.85 3.250 LVMR 3.460 491 314 Lafarge Coppee 331.1 118 476 La Hershi 449 5.55 420 1.0rsl 489 5.85 420 1.0rsl 489 5.87 48.3 Localrance 425 5.87 48.3 Localrance 425 1.00.8 Lill Plastess Phartix 450 1.00.8 Lill Plastess Phartix 450 1.00.8 Lill Plastess Phartix 450 1.00.8 Lill Plastess Phartix 531 1.00.	1, 125 835 Mambelmer Vers. 900 799 514 Mercudes Hife 548 714 5 485 Metaligeell 355.5 2, 9e0 2, 095 Mirench Rusck 2, 425 363.5 258 Nindorf 281.2 367 232 PWA 255 580 514 5 Pellips Mosminar 534 1 310 848 Porsche 925 491 299 Preussag 315 3 180 1, 960 Rheimetectra 2,740 915 306 Do. Pref 328 460 323 Reisimetalf Bart 335	110.8 8h Robeco 89 20 52 74.3 Rodamce 74.30 109.8 83 6 Robinco 85 40 60 2 57.1 Rerestio 59.10 154.7 136 2 Royal Butch 146.60 164 9 137.2 Unitered 49.70 113.5 76 Yell 78.00 113.5 76 Yell 78.00 176.2 53 9 Wessader 59 70 56 43.7 Wolters Klunger 32.80 NORWAY	415 270 Do. Ptg. 270 3,200 2,350 Mag Globus Ptg 770 3,200 2,350 Milkron (Br) 2,400 1,880 1 490 Motor-Columbus 1,625 9,240 7,080 Mestle 7,300 9,185 6,950 Do. (Reg) 7,210 1,115 670 Cer-Bohrie 670 1,880 1,070 Pargesa Hidg 1,110 9,850 4,950 Pirelli 435 9,850 6,850 Roche Hidgs (Ilr) 6,940 4,555 3,250 Do. (Genuso 3,550 4,550 6,550 Sandox (Br) 9,000
12 250 8,090 Wagons Lits 10,000 11 400 e, 320 De, AFV 9,090  DENMARK  1990 High Lew September 7 Kr  975 710 Batulca Hidgs 845 1,375 1,200 Cartsberg 1,340 1,000 887 Daniese 923 369 85 279 Den Danie Bah 302 285 230 5 East Alzikic 232	206 131 Nord Est 140.3 81.5 588 Nouvelle Galer 588 1 999 1,316 0FP 1,316 394 219 Orsan 221 714 444 Pariss 462 503 309 Paris Reazempte 350 1,830 90P Perica Ricard 060 1,869 1,254 Perier 1,318 810 505 Pesiget S.A 579 659 452 Politet 471 1,246 999 Pretabal Scorot 1 1,015	2013   200.5 Do. Pref   214.5	High Low September 7   Kraner   205   110   Aver A (Free!   115.00   231   145   Bergean A   156.50   144   120   Crisinal Bi Free   127.00   120   104.5 0 en norshe Bank   106.00   170   101   0 yate fee!   145.00   232.5   219   Ellean   Free!   258.00   230   257   Hefs!   Hyon A Free   176.00   395   225   Kearmer (Free!   300.00   395   225   Nors Indiest Free   300.00   395   225   Nors Indiest Free   300.00   396   225   300.00   396   225   300.00   396	7.730 5.025 Schinder (gr) 6.000 1.020 730 5183 950 1.020 730 5183 980 1.300 670 Serissair 5.330 1.300 670 Serissair 590 256 255 Seriss Bant 300 254 245 De Ptg 259 4.000 2.780 Seris Serince 3.080 656 470 De Ptg 522 1.885 1.290 Union Bank 3.020 151 120 De Ptg 120
955.2 785 GN Great Nordic 830 1 080 785 Hafina Invest A 860 940 780 1 S S B Systems 830 445 365 Jyske Bank 400 1 870 1,410 Lauriters (J) B 1,420 590 410 NKT A/S 495 340 277 Horn Nordis 1,38 540 480 Royal C'hagen A 500 1,300 1,012 Sontes Bernsdes 1 230 6,000 3,400 Superios 9,400 1,480 1,010 TopDanmari 1,110 Undarmark 290	777 485 Princenos Au \$20 2 280 1.750 Promodes 1,889 730 475 Radiotech 478 3.640 2.480 Redoute 2,480 485.5 232 Bross-Pagli (Ed 2,280 485.5 232 Bross-Pagli (Ed 2,280 485.5 721 Still 730 1,700 1,221 Sayon 385.6 1,700 1,221 Sayon 385.6 1,518 1 005 Saint Louis 1,487 1,482 720 Sayon 743 1,482 720 Sayon 743 1,179 728 Schneider 770 1,380 971 361 Schneider 770	643 370 Voltoragen 439.8 543 370 Do. Pref 384 783 5 609 Werla Pref 744.5 366 279 Zanders Fein per 235  ITALY  1.990 High Lew September 7 Lire 5,949 4,565 Banca Com*le 5,185 10,460 6,20 Banca Com*le 6,850	187 al. 593 PK 1976 1873 1873 158 105 Supersad (Frei 1 127.50 182.5 80 Vard AS A 112.00 SPAIN 1990 Price High Low September 7 Pts. 3,895 2,740 Barco Bilban Viz. 2,895 5,100 3,995 Barco Celtral 4,565	4.000 S.200 Winterbur 3.000 814 574 Do Ptg. 684 5.450 3.800 Zerich ins 4.050 2.360 1,625 Do, Ptg. 1,630  SDUTH AFRICA 1990 Higs Law September 7 Rand 18.75 14 AEC 14.5 82.5 35 Attled Tech 49 100 70 Anglo Am Coal 91
1990   1990	550 420 Sellmag 420 445 527 Simes 942 L 040 920 Sixts Rossigned 977 224 423 5cc Gen de Fr. 448 2,675 1,120 Semese-Allibert 1,200 992 439 Selv-Barlynoties 468,9 198 4 304.5 Susz (Fin de) 319,9 198 4 304.5 Susz (Fin de) 425 191.8 90 Thomson (CSF) 93,35 191.8 10 Thomson (CSF) 93,35 191.8 40 UPB Locaball 264 184 264 UPB Locaball 264 184 765 Unitall 783	7,944 5,225 Surco Larians 6,6-10 256 Sarco Larians 256 11,750 7,950 Rurge (Cardiare) 7,950 9,770 1,501 (Rr. ) 1,530 1,470 945 Cardiare 7,950 4,773 2,192 Cardiare 9,55 4,773 2,192 Cardiare 4,170 4,960 3,270 Cardiae 3,306 3,039 2,486 Credita Italiano 2,565 12,930 6,000 Danieli 8,700 11,320 6,490 Filat 6,632 11,320 6,490 Filat 6,632 11,320 6,490 Filat 6,632 11,320 6,490 Filat 6,632	3.410 2.485 Banco Hispano 2.565 10.000 6.800 Banco Popular 8,400 5.842 3.650 Banco Santaster 4,140 4,973 3.010 Banesto 1,200 5.803 3.900 Bodiqas Bebidas 3,900 13.360 7 200 Citroen Hispania 7,400 6,930 5,900 Corp Hispania 7,400 6,940 5,900 Corp Haster 6,000 8,940 5,000 Corp Haster 6,000 3,091 2,073 Drayades 2,270 3,660 2,445 Ebro 2,600 3,240 2,445 Ebro 2,600 3,240 2,440 Ebetra Vissgo 3,173 2,270 1,205 Energia Ind Ara 1,350	147, 73 103 Anglo Am Corp. 104, 5 41,7 277 Anglo Am Gold. 31b 94,5 31,25 Earlow Read 33,9 94,5 31,25 Earlow Read 33,9 126,5 10,2 ChA Galle 26,5 10,7 ChA Galle 26,5 10,7 Delteral Gold 11,85 17,7 31,5 Delteral Gold 11,85 17,7 31,5 Delteral Gold 14,85 19,7 3,9,5 East Rand Gold 9,5 10,5 25, First Nat Bank 28,9 19,7 9,7 5,7 5,7 5,7 5,7 5,7 5,7 5,7 5,7 5,7 5
1355 22.5 Pohrola 8 Prez 79 46 24 Rauma Repola 24 430 394 Sampo 403 235 157 Stochmane 8 170 32 20 5 USFTC 22 1675 87 Ust Paper Pri 90 471 5 365 Wartsila G117 400  FRANCE  1940  Righ Lew September 7 Frs.	### 350 9 Vales	8,478 5,910 Fidis 5,910 5,150 45,00 Fondiaria 47,00 2,490 1,600 Fondiaria 47,00 2,490 1,600 Gemina 1,735 4,800 3,970 General Assistar 57,35 5,803 3,335 Gitardini Inda: 3,500 3,080 17,421 Fil Priv 17,421 11,600 4,600 Italcasist 8,349 11,420 19,90 Italcasist 2,778 11,420 19,90 Italcasist 2,778 11,420 19,90 Italcasist 2,778 11,400 11,20 Lioyd Asriatics 11,900 2,428 1,100 Magnett Marelli 1,100 2,248 1,100 Magnett Marelli 1,100 2,248 1,100 Magnett Marelli 1,100 2,540 11,540 Italcasist 14,540	8.250 3,616 Esp Curismes Mt 3,610 1,550 975 Esp Acust Toder 1,100 3,500 Fam Remaint 3,550 696 446 Fecu 560 1,100 1,400 Hidroid Cartais. 1,455 586 436 Hidroid 451 5,200 3,850 Knipe 3,850 Knipe 3,850 Knipe 3,850 Knipe 3,850 Knipe 1,260 2,460 1,740 Petroises Cla Esp 1,820 26,450 18,000 Perriam Vand. 18,750 2,4925 2,210 Repsel 2,513	19.75   Hartsheet,
726 400 Arious Occiden 490 1795 both Arious Occiden 470 174 5 3.180 1.540 Arjomari-Prince 1.520 1 1215 928 Arzilhare 6 Est. 929 800 470 BiC 574 844 688 BSN 793 865 405 Both Arious Francisco Company 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1,075 2,207 Allians AG 2, 425 67 389 2 Alsana 485 65 629 Asko Devisehe K 930 A3 520 Do. Pri 749 24 222 BASF 231 273 290 5 Badement 231 345 231 Bayer 231	7.699 4.145 Gilectii 4.145 11.400 7.140 Pirelii 5ga 7.140 3.125 1.700 Pirelii 5ga 1,700 6.USB 6.510 Ranssents La 6.570 20.250 20.457 RAS 21.320 1.892 1.205 SiP 1.399 11.741 8.150 Sarfra 8 8.350	1.670 727 Servis 810 645 460 Servis site 933 4,445 2.715 Tabacaters 3.500 4,945 2.715 Tabacaters 3.500 503 427 Union Elec-Fen. 453 11,300 6,200 Union yel Fanix 6,270 2,550 1,920 Unside 2,220 4,235 1,335 Urber Ser. 2 1,940 1	30 3atusrine & Ren 42 (0.95 é. 9 Sape Holdins 7.35 (1.27 Santh (OD) Fés 28.3 (1.27 Santh (OD) Fé
1996   High Lens   September 7   Price   Yes   2   640   1.530   Apromote   1.550   1.200   635   Abstence Brates   714   2.160   1.250   All Brapest Art   1.350   2.310   1.890   Alps Electric   1.920   2.330   1.200   Amoda   1.300   1.790   1.600   Amoda   1.300   1.790   1.600   Amoda   1.300   1.790   1.850   Artister   1.900   1.450   785   Acti Carp   1.300   1.450   1.300   1.450   1.300   1.450   1.300   1.450   1.300   1.450   1.300   1.450   1.300	1.030   2.700   Japan Radio   2.760   1.50   512   Japan Steel Wiss   513   330   646   Japan Steel Wiss   513   330   646   Japan Synth Ris   716   1.480   661   Japan Synth Ris   716   1.480   1.490   1.500   1	1998	1998	1996
2,100 1,290 Asahi Breweris 1,340 1,240 473 Asahi Chemicalis 751 2,380 1,260 Asahi Chre 1,260 1,150 571 Asahi Optical 621 1,010 511 Asis Corp. 541 1,700 1,170 Ataeut Nylon 1,130 1,720 946 Banyu Pharm 946 1,740 1,170 Bridgestone 1,180 1,070 640 Brother loss 68 6,800 9,350 CSK Corp 9,550 1,770 1,050 Catpis Food 1,090 1,700 1,050 Catpis Food 1,090	1.380 1,660 Kashiyama	1,500 745 Nippon Kayalm 764 1,380 660 Nippon Kayalm 764 1,380 660 Nippon Matt Pad 1,340 1,350 668 Nippon Matt Pad 1,340 1,150 668 Nippon Matt Pad 1,340 1,150 668 Nippon Matt Pad 1,340 1,370 661 Nippon Palm 710 1,370 661 Nippon Palm 710 1,370 700 Nippon Sand 1,500 1,110 560 Nippon Sand 654 1,340 710 Nippon Saltays 1,080 1,230 630 Nippon Saltays 422 1,720 791 Nippon Salingam 808 2,200 1,440 Nippon Salingam 808 2,200 1,440 Nippon Salingam 808 2,200 1,440 Nippon Salingam 608	1,880 853 Teel Co	1.02
1,740 1,100 Casto Computer 1,200 1,360 690 Central Financa 730 1,020 560 Central Glass 550 1,700 990 Chiba Bank 950 2,690 1,410 Chiyoda Fire 740 4,970 2,520 Chuba Elect Per 2,520 1,500 Chugal Pharm 1,130 1,200 1,200 800 Culzen Watch 950 1,140 700 Dated Chemical 756 2,980 2,000 Datical Seriaria 758 2,980 2,000 Datical Seriaria 758 2,980 2,000 Datical Seriaria 758 1,2980 2,000 Datical Seriaria 758	.810 2.520 Kinden	1,330 800 Nippon Stainiam 913 791 469 Nippon Steel 475 1,040 550 Nippon Sulam 566 37,400 27,500 Nippon 7V 28,300	1,610 929 Totigo Roya 940 5,870 3,130 Totigo Storel 3,740 4 2,990 1,520 Totigo Style 1,800 5 3,750 1,700 Tatigo Egy 1,800 5 1,500 740 Totigo Egy 1,530 1 1,500 740 Totigo Egy 1,190 3 2,270 1,360 Topgas Prim 1,400 3 1,300 621 Toray 1,800 1 1,300 895 Tossiba Elect 925 1 1,750 1,270 Tossiba Elect 925 1 1,750 1,270 Tossiba Elect 925 1 1,440 935 Tossiba Elect 935 1 1,440 935 1 1,440 935 Tossiba Elect 935 1 1,440 935 1 1,440 935	.97 1.85 TNT90 1.90 4 3.31 Westarmers
1.25G 598 Laide Staet 674 1.305 1 440 Date 1.500 1 2.910 1.60 Dativis 2.560 1.180 1.1820 Dat kan Kan Bank 1.870 1 2.160 1.400 Dativis 1.600 2.160 1.400 Dativis Ranka 1.600 2.1770 950 Dativis Ranka 2.520 1.770 950 Dativis Ranka 2.520 1.770 950 Dativis Ranka 2.520 1.770 950 Dativis Ranka 1.600 2.370 1.870 Dat Rippen Pitar 1.960 2.370 1.870 Dat Rippen Pitar 1.960 2.370 1.430 Dat Rippen Pitar 52.1 1.400 3.080 Dat Rippen Pitar 261 1.450 760 Dat Rippen Fig. 3.210	.430 716 kamia Grenital .730 .900 530 Kurato Inds 1,790 .810 1,110 Kuraray 1,240 .240 642 Kureta Demucal .648 .660 1,630 Kurta Water 1,900 .220 5460 Kyocara 7,350 .7070 490 Kyodo Shirje 640 .440 1,750 Kyotara 1,780 .500 880 Kyowa Bank 881 .850 955 Kyowa Haltko 1,020 .950 650 Kyotara Eark 2,250 .950 620 Kyokara Eark 2,250 .270 690 Llon 700	1,870 897 Misshipbe India. 910 1,230 610 Misship Issai . 619 1,660 1,010 Misship Issai . 619 1,000 Misship Geod . 2,400 1,720 966 Misship . 1,040 949 500 Mitto Boselri . 520 2,320 1,210 Mitto Denko . 1,250 3,430 1,510 Normura . 1,620	940 491 Yesch Cerr 525 1,270 550 York Cerr 1,050 1,270 550 Yory Censtrist 580 1,030 530 Tory Ink 580 1,790 1,050 Yory Ink 580 1,790 1,050 Yory Ink 580 1,470 865 Tory Kaneth 901 1,470 865 Tory Kaneth 901 1,590 3,100 Tory Selfat 3,3,960 2,610 1,880 Toryta Motor 1,950 1,800 750 Tory Laketh 903 1,300 750 Tory Laketh 903 1,400 865 Tory Tory 803 1,400 750 Tory 1,400 860 1,400 865 Tory 1,400 860 1,400 750 Tory 1,400 860 1,400 750 Tory 1,400 860 1,400 865 Tory 1,400 860	57 2.45 Anny Props 3 02 b 12.9 Bank East Asia 13.80 0.6 7.79 Carhay Pacific 7.90 43 9.4 Cheung Kons 11.90 9.5 21.2 China Motor 22.70 5.8 21.8 Cross H'bour 791 14.30 0.5 1.9 Dairy Farm Ind 9 00 0.5 1.9 Dan Herig Hidgs 1.35 1.252 Evergo 3.47 3.3 3.48 Hang Leng Bank 20.60
2.770 1,860 Dalwa House 1,950 1,580 2,360 1,010 Dalwa See 1,030 2,5880 3,190 Desmy 4,190 1,240 630 Deser Kilst 714 1,470 739 Dose Fire & Mar 740 1,550 670 Dose Mining 745 2,230 1,160 Ebara 1,140 2,320 1,480 Eisal 1,140 1,650 951 Ezaki Gilcs 1,010 2,650 951 Ezaki Gilcs 1,010 2,650 950 5,440 Fanuc 5,500 1,550 900 Full Electric 5,500 1,500 Full Electric 5,500 1,2	220 1,510 Massia Corp 1,570 920 1,200 Makkos Militing , 1,459 0.60 2,150 Makhos Militing , 1,459 0.60 2,150 Mashia Elect Wi 2,180 1,700 590 Marushal Fost 1,000 6,510 2,450 Marul 2,690 6,450 1,550 Marul 2,690 1,720 MST 1,770 1,720 MST 1,670 1,920 MSTSSSHIR Refig 1,170 0,000 6,36 Massia Motors 6,55 1,370 1,170 MST MST MST 6,55	1,930 1,270 Ohrms Mach 1,340 1,270 Ohrms Mach 1,340 1,710 1,180 Ohrms Mach 1,140 1,710 1,180 Ohrms Corp 2,100 1,110 981 0eoda Centent 621 0,340 4,470 0no Pharm 4,800 1,860 972 Ohlent Corp 1,170 1,770 3,450 Ohrn Corp 3,560 887 450 Osaka Gas 497 1,420 781 Penta Ocean Con 805 1,000 4,760 Ploneer 4,800 1,130 560 Prims Mest Pack 700 1,380 755 Repown 770	890 480 Usicilis	5 1.69 Henderson Im 1.98 95 6.05 Henderson Land 8 25 2.4 15.4 HK Alseraft 10.60 4 7.9 HK Chien 10.60 4 7.9 HK Chien 7.60 3 7.1 HK Land 7.60 3 4.3 HK Reatify 4 7.4 4.70 5.3 HK Stanglas Reht 5.355 HK Stanglas Reht 5.355 HK Stanglas Reht 5.355 HK Telecomms 6.10 HK Reatify 4.25 HK Telecomms 6.10 HK Reht 6.10 10.90 HK Stanglas Hebrit 6.25 15.2 7.95 Hotzhison Wpa 10.90 Hysan Dev 1.15
4,950 3,550 Full Film   3,860   1   16.30 Bob   Full Fire & Mar. 960   3   949   564   Foil Heavy Ind   796   1   1,320 665   Fufikara   685   1   2,300   1,450   Fuficswel   1,560   3   937   520   Full Splanning   525   5,070   3,100   Full A Tourbet   3,500   1   1,600   1,180   Fufita Ltd   1,780   1   1,500   620   Furnikara Elect   741   2   3,370   1,910   Calber   1,700   1   1,930   1,000   Can Sektya   1,010   1   2,420   960   Gofo Shuse   960   3,200   1,200	200 649 Meet Selex 671 6610 2,500 Mileau Coca Cola 2,700 150 610 2,500 Mileau Coca Cola 2,700 150 610 2,500 Mileau Coca Cola 2,700 150 610 610 610 610 610 610 610 610 610 61	,330 841 Ricoh 860 ,270 2.150 Royal Co 2,350 ,100 555 Ryold 800 ,870 1.040 Saltami Bank 1,050 ,440 820 Sanden 1,140 ,920 1,970 Sankyo 2,100 ,530 941 Sanwais 974 ,990 4.400 Sanki 1,730 ,770 1,730 Sanka Sanki 1,730 ,770 1,730 Sanka Sanki 1,730 ,700 1,430 Sanka Sanki 1,730 ,660 668 Sanyo Elect 704 ,100 510 Sanko Koldraki 530 ,040 1,100 Sanko 1,140	2,450 1,500 Yamato Kogro 1,850 1,500 Yamato Trans 1,010 1, 3,000 Yamato Trans 1,010 1, 3,000 Yamato Trans 1,010 1,000 Yamato Trans 1,010 1,000 Yamato Trans 1,000 1,000 Yamato Elect 755 1,000 1,000 Yokobama Basis 1,000 1,000 1,000 Yokobama Basis 1,000 1,000 1,000 Yokobama Basis 1,000 1,000 1,000 1,000 1,000 1,000 Yamato Laed 2,000 1,000	1.7 9 05 New World Dev 9.50 8 5.75 Realty Dev A 6.50 12.2 SHK Props
1.370 786 Luiste 811 1.450 687 Mastiye Corp 705 1. 1.280 552 Mastiye Corp 705 1. 1.650 961 Mastero 995 1. 1.650 961 Mastero 909 1. 1.540 881 Mazami-Gent 961 2. 2.310 1 020 Helea Real Est 1.070 2. 1.300 870 Hina Motors 900 2. 7.460 4.990 Hiroshitas 900 2. 1.300 870 Hiroshitas 950 1. 1.300 870 Hiroshitas 950 1. 1.300 880 Hiroshita Cashi 950 1. 1.220 860 Hizachi Cable 884 0.	50	.000 4,930 Secom 5,080 .790 3,900 Seibu Rallway 4,000 .660 1,620 Seibu Rallway 4,000 .660 1,620 Seibu Trassport 1,630 .120 1,530 Seibu 1,530 .770 1,150 Seibu lichen 1,530 .450 1,530 Seibu lichen 1,530 .450 1,530 Seibu lichen 1,570 .380 825 Settse 851 .000 6,600 Seven-Elevel 6,940 .450 1,300 Seibu El Par 2,30 .450 1,200 Seibu El Par 2,30 .450 1,400 Shiba El Par 2,30 .450 1,400 Shiba El Par 1,350 .450 1,400 Shiba El Par 1,350 .450 1,400 Shiba El Par 1,350	1990 H 19	8 2.57 Do. 8
2,200 1,790 HHachi Mairell 2,500 1,240 1,130 HHachi Mairell 2,500 2,1,740 1,130 HHachi Mairell 2,500 2,1,740 1,130 HHachi Meralis 1,340 2,140 820 HHachi Sales 99 1,4 1,00 2,170 Hokhaido Elezt 2,180 1,600 890 Hokhaido Taireh 890 1,4 1,90 2,210 Hokurika El Per 2,270 2,1 1,910 1,430 Honsia 1,490 1,490 1,340 Honsia 1,490 2,4 1,490 1,490 Honsia 1,490 1,490 1,490 Hhachi Mairell 2,500 890 Hill 1,500	720 730 Mirsui Petchem 780 8 860 1,320 Mirsui Petchem 150 1 690 1,530 Mirsui Faisute 1,130 5 690 1,530 Mirsui Faisu Robe 1,590 1 000 499 Mirsui Faisu S 1,54 1 050 1,230 Mirsui Fai & Beq. 1,260 1 720 1,230 Mirsui Fai & Beq. 1,260 1 720 1,230 Mirsui Fai & Beq. 1,270 1 735 1,040 Mirsui Elect 1,180 1 720 1,230 Mirsui Fai & Fai	. 200 Shbeldo	1.4	4.5   Hong Leong Cred   5.20
2,200 1,330 liesgami Yssali 1,430 2, 1,960 1,330 liasz 1,360 1, 1,660 1,300 800 1984 & Co 960 1,1 800 0,1 984 & Co 960 1,1 850 3,140 lestas 3,890 78 940 506 lehitlara Sangyo 569 1,1 1,60 545 lessen Motors 741 1,2 1,60 1,60 lehitlara Sangyo 560 1,1 2,2 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0	250 1 610 NEC 1579 1,140 97 1,790 1,030 AGK Insulators 1,140 97 1,790 1,030 AGK Insulators 1,140 97 1,790 1,030 AGK Insulators 1,140 97 1,790 1,140 1,	35   Sunitamo Orient   5.10	0 05 8.3 Coal Attled Ind 8.80 12.8 9.42 Coa Cola Amelli 10.80 3.1 5.5 7 12 Coles Myer 7.40 4.5 1.7 Comatos 4 10 8.1 13.9 75 Comatos 4 10 8.1 13.9 75 Crusader 0.83 5.9 0.9 0.82 Demicion Mrg 0.97 2.8 2.8 2.8 Edward 1.58 8.4 10.9 3.9 3.9 3.9 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.0 5.9 3.9 5.9 5.9 5.9 5.9 5.9 5.9 5.9 5.9 5.9 5	4 67 Fracer & Noare 7.50 4 2.15 Hare Par Bros 2 43 3.86 Incheape Blod 4.90 5 8 Keppel Corp 6.15 4 7.3 OCBC 7.85 3.88 QUB 4.48

									CAI	DAN	<b>.</b>									
Sales	Stock	High	Low	Close Ching	Sales	Stock	High	Low	Clase Chang	Sales	Stock	High	Low	Close Ching		Stock		10W 58 k	Clos	
	-	TORO	NTC			HCIA!	57 450	7 430	7 430 - 36		Lac Mriris Laidlaw A	510년 221년	10 <sup>3</sup> ,	10 <sup>1</sup> 2 - <sup>1</sup> 6 21 <sup>5</sup> 2 + <sup>1</sup> 5	1885	Seagram Seers Can	\$87 ½ \$10 ½ \$8 ¼	164	10 k	
C				ember 7	13870	Cristum Gas	530	335	28%-24	531060	Laidhe 8 f Laur 8k		20 4 15 2	21 % + % 15 %	1907	ShawC 8 I Shell Can	\$39 %	39 1	3912 -	
	_	ts undess r	•		f 10025	Consum Pky Consust B	514 k	131	. 879 ;434 + 3 <sub>8</sub>	2700	Laur Gr B	\$8 ¥	61/2	64	54	Sherritt	5712	7 ½ 55	7 ½ 55	
3537	Abittyl Pr Aprilco E	S154	15%	15% – 4	2250 382206	Corby A Corona A	\$30 t	30 %	30 k - k		Lawsnii A Labiaw Co		9 <sup>1</sup> 4 76 <sup>1</sup> 2	17 + W	1000	Sonora Southern	55 \$19 ½	19	19 -	•
21661	Albria En	\$18%	184	7일 18길 + 노	175000	Coscan	57 L	7 %	- 4	55100	Mac Kenzie Macmitan		61 <sub>2</sub> 16%	: 67a + i₄ 16l₂	:200	Sour Aero	1 59½ \$15½		9 154 -	
78075	Albris N Alcen	\$25 L	24 L 3	14 Å + Å 25	ARM	Crowne &	! 46			72720	Magna A f	390	365		114364	Stelco A Teck B I	5244	23 m	23	. %
	Algo Cent 4 Barrick	\$95_	25	95 <sub>1</sub> 247 – 1 <sub>2</sub>		Denison A Denison B	150	150 20 12	150 – 6 0 120		Maritime f Mark Res	517 <sup>1</sup> 2 512	173	17% - 4	230140	Tombec A	\$9 % \$14 %	144	94 -	- 78
15680	Ateo I !	5101 <sub>4</sub>		10 lg + lg		Dotesco D Textile	5137		1934 - 14		Memoloc Metall M	\$8 <sup>1</sup> 4	8 kg 12 %	84 - 4 123 - 4	590476	ThornCor Tor Om Bl.	316	1512	154	
	BCE Inc BCE I)	15	36-} <sub>1</sub>	36½ - ½ 14	19960	Conter	5973	94	94 – 1 <sub>8</sub>	710	<b>Evoqqi</b> it?	519	18 k 215	18 k - 12 216 - 13		Terstar 8 i	\$24½ \$27%		24½ 27¾ -	
	BCE Mobil BC Sugar			175g 135g - Ig		Du Poet 4 Dyley A	\$25 <sup>3</sup> 7	25 375	375 - 25		Misel Corp	225 \$32 4	314	31% - 18	4500 62707	Total Pet TrnAlte U	\$12 kg	12	T2 -	
8000	BGR A	29-4	ملو	94	2500	E-L Fin Echo Bev	554 \$15 \	51	51 ~ 8 <sup>i</sup> 2	42770	Moore Muscocho	\$27%	27 4	274 - 4	66324	TrCan PL	\$17 5164	164 18	17 16 -	4
4321	BP Caned Bk Monti		25 k	25% - L	300	Emco	264	6 k	15월 - 월 6월 - 월	55420	Her Er Car	\$8 %	83	85g + 4g		Triton A	87	7	7	Ī
	Bit NScot Basson		7125 714	12% - 4 74 - 4	11601	Esperaa f EquaySv A	210 £	70% 125	10% 129+ 1	23000	NewTel Ent Noma A	964	154	84 + 4	1500	Trizes A I	\$15-h \$16-h	15 h	15% ~	4
850U	Beimoral	21	20	21	2100	FPILM Fin Traco	470 B	485 A	465 - 5	1400	Noranda F Noranda	\$10 \$164	9% 164	10 + 1 <sub>0</sub> 151 <sub>2</sub> - 1 <sub>0</sub>		Trest B	\$154 \$154	154	154	
	Bombor A Bombor 8			184 - L 184 - Y	24784	Fed Ind A	\$9%	512	9% + 4	5327	Norcen	\$261	28	aa `– √a		Unicorp A	730	130	130	
	Bow Valy Bramsies	\$75-4 88		153		Fatheng L FC:rv Film	5143	14 le 6 le	144 – 14 64 – 12		Norce A f	\$28 k \$17 k	26 1714	26 173s+ In	500	UnigecoB (	280	290 245	290 - 255 -	- 10
7950 I	Brascen A	\$1812	184	18 2 - 3		FMerathA	S6-1	65-	ີ 64 − 4 152		Nor Tel	\$27 % \$5 %	27 %	2712+ 14 514+ 14		Varity C Viceroy R	255 480	476	480+	
	Briceater BC Phone	123 \$18	120 1742	123 - 2 18 + 1	1550	Fortes	S70-7	152 26 <sub>2</sub> :	20 t <sub>4</sub> – 1 <sub>6</sub>	446554		S7 %	74	712		Videosn f	\$10	10	TÜ	-
3864 1 1261 (	Brunch	21875 .	187 1	6 <sup>1</sup> 9+ 1,"		FourSeasn Franco p	\$ 18 4	17 <sup>1</sup> 2	1712 - 1		Nowsco W Numac	\$154 \$74	74	15 <sup>5</sup> a 7 <sup>1</sup> a - <sup>1</sup> a		WIC B !		17 4	11/2	
9126	CCL B !	58%	ale	8 tg - tg		GW Uul Galactic	\$34 4 326	334 310	344-4	107500	Ocelat B f	\$9 L \$8 %	1	8 lg - lg		Weldworld Wat Fraser	817 4 818	16% 16	16%	- 15.
	Cembiar Cembrida	\$13 <del>7</del> 524	13 k 1 23 k	3% 23% - 1	500	Gerdet	346	340	320 + 5 340	28640	Oshawa A	\$30 4		301	11133	Woossi E	S22 4	217	22 +	
	Camp Res Camp Sou	88 a \$20½	65	85 - 5 203 <sub>5</sub> + 4	16300	Guurt Yk Samus	\$7 265	7 255	7 262 - 3		PWA Comp Pouran A I	525 57 L	25	9% - la 7 - la	15083	Weston voting righ			~	
59QU (	ampeau	146	139	139 - 1		Sciccorp f	460 \$12 %	450	455 - 6	600	PanCan P	920 i.	29 4	29 ել - ել 13 ել - ել	rights.					
	Nor We:	s 170 595	917	165 + 5	10200 (	ranges	125	124	125	4100	Peçasus PJewi A (	212.4	1314	94				-		
000 (	S Pete f	380	370	390 - 10		GL Group GRW Lifeco	519 5124	19 725	19 - 4 124		Proneer M Placer Dm	519 <b>7</b>	7	7- 1 18% - %	ı					
H00 4	DG Imvest	239 L	394 :	33 191 <sub>4</sub> + 1 <sub>9</sub>	620	Greyfund Bult Pes	\$291 <sub>2</sub> \$163 <sub>3</sub>	29 4	2312 + 14	2100	Poco Pet	S8 1	84	84 144						
200	C Codecta	\$244	235 18 %	24 4 - 14 18 4 - 14	500	faley	245	245	16 L 245 16	1500	Powr Carl Powr Fin	5184	18 %	18%	1					
600 C	P Forest	\$29 2 \$184	17 T	20 2 - 12 P	29600 H	terne A tawker	420 824 Lj	4500 24 kg ;	400 14 la		Provigo Duebcor A	58 to	117	81g - 1g 111g + 1g	İ		ONTF			
265 (	Rosy	\$7	7	7	2500 /	tayes D	5113	1119	11 եր - եր 1932 – եր	146950	Renger	\$9	8 to 1		CI	osing p	nces	Sep	temt	3 <del>8</del> 1
	IA entra			93 19 - I <sub>1</sub>	76000 8	iemig	\$191 <sub>2</sub> \$12% \$11%	124	1845 – 14 124 – 5	244050	Reyrock i Renisance	\$15-k	8 kg						1	
700 (	engmus (	) <b>10</b>	162	82 - 19 365 + 10		Hollingr Horsham f	811 k	111	15 - 16 81 - 16		Repap! Rio Algom	56 ¼ 518 ½	101	84. 191 <sub>2</sub> – 1 <sub>4</sub>	\$16 Bos	nordrå Bombr¢r8	\$18 <sup>1</sup> 318 <sup>1</sup>		և 184. 194.	
900 (	anter	\$22 A 2	2 ly 2	24	4584 8	Bay Co	5775	17	174 - 4	64675	Rogers 8 /	87 4	64	74 - 4	1500	Camble	\$14 390	~ 1,33	340	- 4
500 ( 100 (	iara A I			16 - k 15k - k	22622 1	Mp Dil A	99.41	63 2	334 - 4 637 - 4		rıçırıman Royal Bele	<b>96.5</b> \$21	20%	27 - 3		Cascadea Dom:TxtA	\$08-{ 320	00	4 09 4	~ 4
151 (	Districts	530 k	30 k	90-4 - ≦ I	163082 T	nee nierhome	5.00	30	4814		Ry Tree Self. Syst	\$12 kg	124	12월 - 색	100	Donohue Memoies	\$104 \$264		104	- 4
747 C	en Capita enCap A	38 7 36 7	14	6 3 + 1 <sub>3</sub>	15700 H	מום או	923	22 1/2	212	4500	SNC Á Í	\$114		7%	131795	Nattlik Cdm	9081	083	2 08 k	* 3
4000 (	Guer Tr	16 G	442	7.		VECQ A f	35 4	64	१६% - १७ ११४	151087		\$15 2 1		15 15 4 + 4		Power Corp Provigo	\$147 \$084		174	
3750 C	Inepies	390	370	366	500 t 297790 J	vaço B	31.2	1.4	719		Sceptra Schneider A	430	426	430	900	Anning A	811	11	11	- 4
	CC Bev	\$11 b 1		1 to - to -	300 )	err Add	917%	17%	17% – Å	600	Scot Paper	81842	184	183		Videovon	\$10 <sup>1</sup> ; \$10	104	2 10 h	- 4
	ompusicq	480	450	480+ 10	20947 [	1000	S21% :	N % 1	14 - 18	21080	cotta f	\$134	134	1814 - 19		Baies 4,421,		86.		_

								IN	ICES						
NEW YORK	K									Sept.	Sept	Sept	Sept.	1	990
DOM JONE	S Sept.	SepL	Sept.	Sepi		1990	Since o	ompliatio		7	6	5	4	HIGH	LOW
	7	-8_	- 5	4	HIGH		HIGH	LOW	AUSTRALIA AK Ortagnies (U) 1480)	1478.9	1499.5	1479.8	1494.2	1713.7 (12/1)	1434.5 CK
industrials	2714 Tr	276-2	9 2021 2	2 7613	Lib/i	25/80	2999.75	41.22	4/1 Mining (1/1/80)	734,9	736.4	731.6	737.9	860.8 (5/1)	711,7 (2)
arte British	89.50	<b>89.50</b>	39.47	19.3	3 93 04 3/U	25	_	_	AUSTRIA Ordit Akties (30/12/80)	505.86	506.25	505.61	507.57	703.29 (19/3)	44.50
rareport.	908.28	70,20	377.74	8%.0	6 12127	7 861,31	1532.01	12 12	BELGIUM	241 60		****		4400 43 4341	52(3.52 (2
tutrules	200.89	198 25	198.44	196.0			(5,19,189) 236.23	(8/7/33 10.50	Breezis SE (Cash Mist) (L/LIBID) CENNELARIX	5465.45	5465.97	5484.43	3472.88	6599.43 (12/L)	20.34
					22	C4/8J	(2/1/90)	(8/4/3	Coperduspen SE CS/1/839	357.16	357.17	357.48	358.55	388.29 (2017)	347.69 @
TANDARD	AND	POO	פיפ	φĐ	ey'3 High 26	35.69 (2633.)	2577 سما 171	.72 (2575	HOTELS GENERAL DISTRICT	497.9	561.1	507.7	512.3	677.3 (29 <sub>1</sub> 1)	497.9 0
OMBORITA :	323 40		324.39	323.0	9   355.95	307 06	1 368.95	4 40	FLANCE	438.50	444.00		***	E4.4.5.70070	417.98 (2
		-			Q6/7	(23.5)	16/7/90)	(1,6/32	CAC General (31/12/82) CAC 40 (31/12/87)	1619.16	445.92 1469.51	44.42 1436.32	444.73 1620.93	564,62 (30/5) 2129,32 (20/4)	1546.51 (2
ndustrials	382.67	379.50	384.37	362.6	6) 437.37 (16/7:		437.37	3.62	GERMANY			41-44			M6.37 (2
Rancial	24 03	23,76	24 05	23.9	31.87	22.97 (23/8)	35 24	664	FAZ Akties G1/12/98) Commentant C/12/93)	1913.I	1909.6	176 60 1940,7	1966.7	202.32 (3977) 2414 0 (340)	1875 4 (2
YSE Composits	177.51	176.06	177,93	177.1	+		(9/10/89)	0,710/7	DAX (30/12/87)	1562.92	1557.12	1564.27	1,990,07	1966.55 (30/3)	1520.34 0
				_	11677	:23·&	Jb/7/901	(25)4)4	HONG KONS Hury Sing Back (31/7/64)	3047.91	3032.85	3039.69	3054.16	3539 .89 CZ3/7)	2738.24
onex Allis, Valus	323.77	324,50	25.41	322.7	4 382.45 (5/1)	315.65 (23:6)	397.03 :10:16:89	29.31	MELAND						
ASDAQ Composite	380.36	378 78	332.43	381 6	7 469.60	360.22	485.73	54,87	SEQ Operall (A/L/SE)	1259.61	1271.62	120) 34	1293.25	T043 T0 G55/J7	1259.61
		_			13677	23.7	Shoran	131 107	Bases Com. Mai. C.9721	60,72	604.96	605.69	603.96	763.52 (14M)	584,37 (2
		AL	ig 24	Aug	17	Aug 10	year ago	(approx.	JAPAN Niko (14/5/49)	23962.07	23811.93	24078.34	24907.54	38712.88 (4/1)	23737.A3 G
ow Industrial Div. 1	Yletd	_	1.29	4	10	3.98	3,2	19	Totos SE (Topic) H/LAS	1845.93	1844.03	1860.08	1910,38	2867.79 (4/1)	1829 25 C
	•	84	pt 6	Auc	29	Aug 22	year ago	(approx.	2nd Section 14/1/689	354.28	XUS	367.56	3761.51	4477.16 (16/7)	3313.92
& P industrial div.	yseld		.24	3.2	24	334	2/	1	MALAYSIA KLSE Connecto (4/4/86)	541.41	547,47	551.80	550 62	652.22 (Upp	460.77 (2
& P togs. P/E ratio	D	1	5,47	13	.47	14.96	14,	42	AUTHORILANDS	284.4	-	244.9	342.6	577 A 49470	- Table 1
IEW YORK	ACTIV	E ST	-		TRADI	NG ACT	WITY		CBS Tri, Riv.Gen (End 1983) CBS Air Sir (End 1983)	246.0 182.9	265.6 282.0	2015	179.8	271.9 (20/7) 206.3 (3/1)	255,7 (2) 176,1 (24
	MQTTV Bibaku		o Chen		† Volu		William		MORWAY ONO SE (M) (2/1/83)	865.96	-	868,14	866 64	012.10.000	30141
	reded	price			1 10101	Sept.			PHR IPPRIES	003.70	867.26	000.14		915.13 (2/0)	701.67 @
	449,006	234	- 4		Hen York	129.			Marita Comp (2/1/85)	712.67	717.71	728.33	732.42	1160,70 (21/3)	683.58 dd
	,075,100 ,634,700	31 4	- ¼ + 31		Arms Nasdad	10.	144 10.54 (d) 98.73	7 7.9 H <b>89.</b> 0	SES All-Singapore (2/4/75)	347.98	330.57	351.40	350.17	446.67 (JA/7)	321.66-(2)
	435,900	97	+ 4	•	Issues Track	d 1.º	955 194		HOUTH APPRICA						
	404 100	254	+ 4		Rises Colle		907 50	7 9		1630.04 1977 OL	1637.0 2877.0	1607.0 2000.0	1649.D 2904.0	2230.0 (16/1) 3211.6 (6/2)	1327.0 (24 2738.0 (24
mpeq 1, al-Mart 1.	,337,200 267,900	44% 28	- 1		Faifs Unchenoed		943 95 903 48		BOUTH KORNA"		- Table 1	1000.0	277.3		11,50,0 424
eDonalds 1,	233,600 232,400	27 %	+ 14		New Highs		12 1	2	Marca Count Ex. (4/L/80)	613.05	616.29	625.00	132.34	928.82 (4/1)	597.30 (2)
	252,400 228,900	47	+ b		New Louis		63 7	3 7	SPAIN Nath SE CO/12/85	241.34	242.32	246 80	250.21	309.74 (36(7)	234,79 (2)
			-						SWEDEN						
ANADA				-					Milesalviges Cos. (1/2/37)	1129.6	1126.0	1133.3	1137.0	1329.9 (47)	1086 4 (2)
OFIONTO	84	pt S	lept	Sept	Sept		1990		Series Bank Inc. COL/12/500	676.5	662.7	683.2	666.6	845.5 (13/7)	636.4 (23)
		,	8	5	4	HIGH		.ow	TAIWAN** Weighted Price (10)/6/66)	(6)	3308.85	3364,49	3600.75	1201 14 044	41 M 44 A
etals & Wienrals				032.76	3027.20	3453.05 (4)		80 (23/4)	THARAND	- 10	200 GJ	JAP1,177	J034.73	12495.34 (16/2)	3135.56 (24
mposite				333.19	3333 27	4009.47 (37)		.02 (7/9)	Bangkok SET (30/4/75)	836.06	844.52	851.65	873.34	1143.78 (25/7)	A95.81 124
DINTREAL Portibilo	171	7.50 17	731.65	743.79	1742.89	2060.90 (3/7	) 1717	50 17/91	THORLD M S. Capital Intl. (1/1/70)	iai	462.4	466.7	466.2	571.0 (4/I)	449.3 (24)

#### **WORLD ECONOMY**

The Financial Times proposes to publish this survey on:

24th September 1990

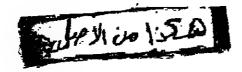
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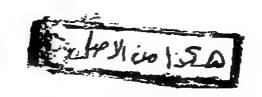
Louise Hunter on 071-873 3238

or write to her at:

Number One Southwark Bridge London SE1 9HL

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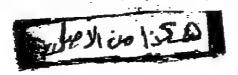
		FT MANAGE	ED FUNDS SERVICE	For Current Unit Trust Prices on any telep (listed below). Calls charged at 38p per	hone ring direct-08364 + five digit code munute peak and 25p off peak, inc VAT
AUTHORISED UNIT TRUSTS	(*************************************	hat Come the Offertheir Chy- Comp Print Price Arter for the Same Comp Print Price It Unit Trent Mages Ltd (1809) F Continues Fund Managers (1206 3b Britanian Kon 901 (18 0 531 1846) Entrant hous, 16-18 Managers (1206	The value of the case of the c		Schreder Unit Trests Ltd (1600)F
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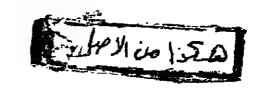
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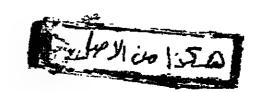
For Current Unit Trust Prices on any telephone ring direct-0836.4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

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#### CURRENCIES, MONEY AND CAPITAL MARKETS

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POUND SPOT - FORWARD AGAINST THE POUND

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#### MONEY MARKETS

€.

## Bulls seek cover

designed to prevent a sell off of sterling this morning on disappointment that the currency remains outside the exchange rate mechanism.

The Bank of England's signal that interest rates should not be cut was surprisingly strong, but appeared to have a dual purpose. By forcing the discount houses to borrow money for seven days the authorities were not only underpinning the 15 per cent underpinning the 15 per cent

	E	M	NEW	YORK
_		$\neg$		Denote:

Sept 7	Close	Previous Clase		
5 Spot 1 month 3 months 12 months	1.8915-1.8925 1.07-1.05pm 3.11-3.09pm 9.35-9.25pm	1.9130-1.9135 1.07-1.05pm 3.12-3.10pm 10.3-10.2pm		
Forward premiums and discounts apply to the US dollar				

#### STERLING INDEX

		Sept 7	Previous
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#### CURRENCY RATES Illust | Special \* Europten 1

27   27   27   27   28   28   28   28	Sep 7	rate %	District Rights	Carrency Units
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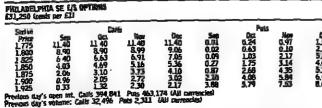
All SDR rates are for Sep.6

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S. THEASURY BURNS COTT 6% 190,000 33-4: at 100%					
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Ja 70026 Jan poloti	of 199%				-
	92.70 92.95 92.95 92.81 92.74	High 92.75 93.04 92.98	92.66 92.91 92.99	Pres. 92.72 92.97 92.94 92.81 92.81	注:

SWISS FRANC (MAN) SF: 125,000 S per SF:



STERLING FELL, interest rates rose, and sterling financial futures weakened after Mr John Major, the UK Chancellor, told listeners to BBC Radio on Friday that the pound would not become a full member of the European Monetary System last week-end.

Reading between the lines, the authorities seemed to be sending a strong hint that the pound would not be joining the system at the week-end. Mr Major merely took the opportunity to confirm this. Sterling lost about 1½ cents and % pfennig as ERM hopes were dashed, but the aim of preventing a heavy sell off today appeared to have been achieved interest rates seem committed to another period of sterling this morning on disappointment that the currency remains outside the exchange rate mechanism.

The Bank of England's signal that there were also indicating that there was no chance of a cut in rates until after one of the market's favoured dates for ERM membership.

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renewed doubts that rates will be cut this year.

December short sterling almost touched 86.00 on Wednesday, pointing to hopes that base rates will be 14 percent at delivery. On Friday the contract tumbled to a low of 85.65 and may be vulnerable to further falls this week in a move by the bulls to cover long move by the bulls to cover long positions.

#### CURRENCY MOVEMENTS

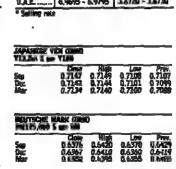
Declaration   Page   Page	Sept. 7	Bank of Employed Index	Morgan <sup>er</sup> Einereity Changes %
	J.S Dollar anadlan Dollar ustrian Sciffling Belgian Franc Larish Franc Larish Franc Larish Franc Larish Franc Larish Franc Troch Franc	94.4 63.1 102.4 109.6 111.6 116.3 116.3 109.8 117.1	-17.7 -16.0 -40.7 -411.7 -2.1 -22.7 -28.7 -25.0 -13.1 -11.4 -11.5

I COMPANIES				MIZ.A
Morgan 1982 = 100, 1985 = 100),	Guaranty Bank of E Tolkies are	changes: ngland to for Sep.6	Average dex (Base ) .	1986 Appro-
POURES-S (PI	HEIGH EN	CHANGE		
	i-eth. 1 8539		6-eth. 1.6362	12-mb 1.790
MA STERLI	16 Si per £			

## OTHER CURRENCIES

-	Sep 7	£	5
	Argentina	11821.2 - 11900.0	6250.00 - 6290.00
-	Anstralia	2.3020 = 2.3045 2.34 665 - 2.35,840	1.2180 - 1.2190
	Finished	1.4650 - 1.4780 200 00 - 34 20	3.6880 - 3.6910
	Hong Kindy	14.6615 - 14.6450	7.7640 · 7.760
	KornalSth)	126.00° 1356.75 - 1380.35	713 00 - 718.60
	Krealt	NA	N/A \$2 (0 - 32.20)
	Lexemboury Malaysia	5,0720 - 5,0840	2.6870 - 2.6870
	Mexico	3469.30 - 3492.60   3.0266 - 3.0315	2990.00 - 2900.00 1.6010 - 1.6035
	Smods Ar	7 1205 - 7 1260	37500 - 37510
	S.Al (Cas)	4 8560 - 4.10460	25640 - 25660
	5.M (Fe)	7,2805 - 7,4235	3.8460 · 3.9215

## Tahusa ...... 51 70 - 51 80 27 30 - 27.35 U.A.L. ...... 6.9695 - 6.9795 1A770 - 1A770



Mar	0.6822	0.4395	0.6356	0.6400
THREE-M	CONTR ELITISES to of 188%	ALLAR COM	10	
Sup Dec Mar Jest Sup Dec Mar Jest	72.02 92.11 92.07 91.92 91.70 91.41 91.31 91.20	High 92 07 92 19 92 10 91 95 91 71 91 32 91 32 91 22	92.94 92.02 91.96 91.63 91.63 91.26 91.26	Pro- 92.03 92.11 92.05 91.89 91.67 91.38 91.28 91.17
STATEMENT SERVICE	D & PORTS SI S index	(SEE)		
_	All and	Jan. L	J. com	No.

			3500	ا عدا	its.			
₿/797·	0.7646 0.7637 0.7631	Pres. 0.7711 0.7710 0.7700 0.7688	Dec		Close 323.65 327.40 330.40	174.18 324.18 328.50 331.20	119.71 323.10 326.10	Pres. 320 75 324,40 327,40
NA.								
001 40 40 63	11 11 8	iov 40 99	0ec 11.40 9.06 7.05	540 0.01 0.02 0.09	0.6 0.6 1.1	Puls Ed Ed Ed Ed Ed Ed Ed Ed Ed Ed Ed Ed Ed	Nov 0.47 0.10 2.17	0ec 1.55 2.13 5.01 4.05

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie In conjunction with the Institute of Actuaries and the Faculty of Actuaries

Sheer number of lines of stock	PRIDAY SEPTEMBER 7 THE	THURSDAY SEPTEMBER & 1990				950	DOLLAR MOEX			
Australia (80)	(5) since Starling Yen DM Current 29/12/99 Index Index Index Index		Dollar Index	index	Index	Index	Currency	1990 High	1990 Love 125,85	Yes ag (4004
Austria [19]								285.63	193.15	
Belgium (61)								160.02	132.11	
Zendard (119)	5.4							153.61	130.37	148
Permark (33)	172 190 1							277.62	236.69	
Inland (28)	70.)							152.29	120.36	
rance (122)							112 03	168.B6	133,16	
rest Germany (95)	12.4							144.63	117,75	
rest (est (est (est ) 114, 24, 53 + 6, 3 97, 45 110, 24 119, 16 - 27, 6 2, 65 148, 81 114, 05 130, 85 118, 84 120, 03 118, 146, 03 - 20, 1 13, 95 128, 39 179, 04 179, 16 - 27, 6 2, 65 148, 81 114, 05 130, 85 118, 84 120, 03 118, 146, 03 - 20, 1 13, 95 128, 146, 04 181, 15 - 27, 8 0, 76 124, 77 86, 92 111, 20 101, 01 111, 20 197, apair (454)	5.7							147.49	112.24	110
eland (17)	TU.3 81-10							198.57	145.03	
ally (95)	20.1							109.26	87.35	ġ
appan (454)	-9,0 00,77							197.26	118.66	17
agen (34)	30.2							250.89	195.23	19
Salaysia (35)	4.0 171.05 101.11	-	505 A1					561.41	324.53	30
extend (13)	737.5 700.00							149.03	130.43	12
emberation (17)	-3,6 100.01								59.57	8
ew Zealand (17)	- 13.4								202.34	18
orway (23)	+33.3 211,00								156.98	
Ingapore (22)	-33 131.00 170.00									16
Table 1	_ 9.9 138.63 156.82 144.18 150.3								170.00	15
pain (42)									132.84	15
weden (34)		1						234,94	173.89	18
##izerland (65)	20 00 00 70 0E 78 0				84.95	77.16		109.77	88.75	8
nited Kingdom (301)	********************************				144,43	131.17		176.18	139.87	13
SA (536)	T 1-7 120 4 45 400 40 120 2	7	129.20	100.37	115.16	104.59	129.20	148.95	123.62	14
139.08   + 6.6   158.34   176.86   162.60   159.52   -2.1   1.90   200.21   155.53   178.45   162.07   159.48   223.	-02 10500 11011	_	400.00	487.00	400 50	400.40	440.00	467 BC	135.57	
arope (972)	= 11 100.00 ieee- iiiii									12
ordic (116)	186 158.34 176.86 162.60 159.5	1							185.01	16
acific Basin (659)	_343 98.97 111.97 102.94 117.9							192.75	119.53	17
IRO - Pacific (1037)	23 S 102 94 116.44 107.06 112.0							174.1B	127.11	15
orth America (835)	0.2 101 97 115.36 108.07 129.0	•						148.43	124.33	14
probe Ex. UK (07)	E 08 61 109.31 100.49 100.7							145.62	121.42	13
Lifte Ex. Japan (1807)	-3.0 00101 140 AD 100 70 110 0					106.60	113,40	146.72	122.53	13
orld Ex. UK (2058)	447 00 107 59 1197	1	131.50		117.57	106,77		173.77	128.14	15
orld Ex. Dr. (2399). 130.23 - 18.9 104.97 118.76 109.19 121.95 - 10.8 4.01 133.89 104.01 119.35 108.40 121.43 151.50 108.45 108.	11000 10000 1175		126,79	98.49	113.01	102.64	116,99	162.00	121.96	140
orld Ex. Dr. At. (23299). 130.23 - 18.9 104.97 118.76 109.19 121.95 - 10.8 4.01 133.89 104.01 119.35 108.40 121.43 151.4 orld Ex. So. At. (23299). 134.14 - 8.5 104.97 118.76 109.19 121.95 - 10.8 4.01 133.89 104.01 119.35 108.40 121.43 151.4 orld Ex. Japan (1905) 134.14 - 8.5 102.13 115.54 106.23 118.32 - 21.8 2.95 129.92 100.93 115.60 105.18 117.86 162.1 e World Index (2359) 130.51 - 18.6 102.13 115.54 106.23 118.32 - 21.8 2.95 129.92 100.93 115.60 105.18 117.86 162.1 e World Index (2359) 139.5 = 100; Finland, Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec	-21.8 105.00 11E 10	1	129.64	100.71	115.58	104.95	117.63	161.84	125.26	149
orld Ex. So. Al. 12239 134.14 - 8.5 108.97 115.54 106.23 118.32 - 21.8 2.95 129.92 100.93 115.80 105.18 117.85 162.0 105.00 1	- 18.9 101.51 110.50 100.10 121.0	1	133.89	104.01	119.35	108.40	121.43	151.59	130.40	13
orld Ex. Japan (1307) 130.51 - 18.8 102.13 115.54 106.23 118.32 - 21.8 2.93 129.92 100.93 115.60 105.18 117.66 102.19 (World Index (2359) 130.51 - 18.8 102.13 115.54 106.23 118.32 - 21.8 2.93 129.92 100.93 115.60 105.18 117.66 102.19 (World Index (2359) 130.51 - 18.8 102.13 115.54 106.23 118.32 - 21.8 2.93 129.92 100.93 115.60 105.18 117.66 102.13	-8.5 104.37 115.1	-								
te World Index (2339)  100; Finland, Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 388 values: Dec 31, 1986 = 100; Finland, Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 123.22 (Local).  5 \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).  5 \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).	-18.8 102.13 115.54 106.23 118.3°	_ 1	129.92	100.93	115.80	105.18	117.85	162.05	125.57	149
use values: Dec 31, 1985 5 (Mr.) and 123,22 (Local).  S \$ index), 114.45 (Pound Sterling) and 123,22 (Local).  S \$ index), 114.45 (Pound Sterling) and 123,22 (Local).	Finland, Dec 31, 1987 = 115.037 (US	te	(Pound S	Sterling) a	and 94.9	4 (Local	); Nordic	: Dec 30,	1988 =	139
S \$ Index). 114.45 (Pound Sterming) Goldman, Sachs & Co. and County Natiwest Securines Limited, 1987	ing) and 123.22 (Local).			t tanks a s						
D & nower: Times Lilinou, ~~	miled Goldman, Sachs & Co. and Co	Ų,	muriés t	rimited.	1987					
The Financial Times. " , bloom (Switzeriano)(D/2), Usiototia. Substitution (Od)(Talpinina Cares (Care)(Sala), Jectors Substitution	Widos (Switzerland)(5/9). Deletions: 5	8	iira Lanzi	ze (italy)(	5/9),Jac	obs Suc	hard (Sw	itzerland	)(5/9),Ba	ank l
opyright, The Hanges: Addition: Leu Hidgs.(Swince) (6/9).  witzerland)(5/9) and Electro Financiere (France)(6/9).	# 7(1095.) (France)(6/9).									
Mahmem Wilde and Flectro Financiers (Fluorester)	VUCIOLA (LIMINA)(T	_								

	DOMESTI NESTER PORTE											
EO	JITT	ES										ľ
Esset Price	Arg'es Paid	Latest Renunc	19	90	Stock	Clasing Price	107	ites. Div	Times Cov'd	Gress Yield	P/E	١.
rnce	**	Date	High	Low								] }
	F.P	T =	됐	106	ABI Leisare 10p Will.	106		R4 7	3.3	59	6.9	ľ
Ē	F.P.	1 - 1	43	33	Fro Ca of Louisland Wis	45		[ ]	1 -	l = l		l
Ž	F.P	-	1	1	Finles Gross Lt	4			) '		- 1	١:
Ξ	F.P.	l - 1	14 75 68 38	6	Fisher (Albert) Warrants	15			l - 1	- 1	- 1	ł,
1	F.P.	<b>[ -</b>	75	43	Golden Vale frip	46		wQ158%	(5.I	5.2	8.4	í'n
100	F.P.	1 - 1	98	86	Jupiter Euro Int Trest	86 <sub>1</sub>			I -I	- 1	-	13
_	F.P.	:	38	28	Do. Warraots	_ <b>28</b> )			I	_	-	Ji
£708	FP.	ı - I	116	106	\$Levertarest 50 ,	106	_	R4.05	24	5.5	8.5	Ι.
-	ED.	-	44	18	Locas Inds. Warrants	19	+12	L	-	-	l - 1	i
			-	20	ARREST TA	23			2.4	147	8.5	

				_		_
Sep 7	Day's Spread	Ciase	One pooth	P.E.	Three months	% b.a.
KI	1.8820 - 1.9005	1.8940 - 1.8950	1.07-1.04com	6.68	3.13-3.09am	6.5
elandt	1.7120 - 1.7215	17145 - 17155	0.41-0.36com	215	1.48-1.38am	3
anada	1 1525 - 1.1665	1.1630 - 1.1646	0.43-0.46cas	4.59	1.29-1.34db	14.0
ettertands.		1.7635 - 1.7645	0.03-0.05cdls	-0.27	0.20-0.23dk	-0.4
elgium	32.00 - 32.20	32.10 - 32.20	par-6cds	-1.12	4-14dis	-1.1
esmark	5.934 - 5.98	5.974 - 5.974	1.23-1.43eresis	-2.67	3.75-4.45dk	-27
f. Germany	1.5525 - 1.5685	13450 - 15440	0.02-0.04afdis	0.23	0.16-0.1905	-0.4
ortagal	117.95 - 1MAS	739.00 - 139.10	80-95cds	-7.6l	240-270ds	-7
pain	97.60 1 98.25	90.05 - 90.15	51-57cds	-6.61	159-169ds	-66
aly	1161 b - 1168 h	1168 - 11681	1.30-1.90() redis	-1.64	7.50-8.50ds	-2.7
CITYLEST	6.024 - 6.06	6.05 - 6.05 -	1.00-1.25oredis	-223	3.50-4.10dis	-23
rance	5.215 - 5.254	5244 - 5244	0.85-0.91cds	-202	2.88-2.98db	-23
weden	5.73 - 5.76	575 - 575 -	2.06-2.21amslb	-4.45	7 00-7.55dis	H5 0
	139.90 - 140.70	140 00 - 140 10	0.02-0.04vdls	-0.26	0.10-0.13dls	-0.3
ustria	10.96 - 11.005	11 00 - 11 00%	0.25-0.60gradis	-0.46	1.60-2 60ds	-0.7
witzeriane .	1.2955 - 1.3070	13000 - 13000	10r -U.D.100	-014	0.09-0 17ds	40.4
CU	1.3205 - 1.3290	13215 - 13225	0.62-0.59cm	5 49	1.65-1.60am	4.5

				0.44			
es taken ans and	iowards t discounts	he end of Oppin to th	Loodoo tra e US dolfa	dlag fülk, rand oct t	treland the int	ans ECI indual s	are quoted in

EXCHANGE CROSS RATES											
E	\$	DM	Yea	F Fr.	S Fr.	H FI.	Lira	E S	B Fr.		
0.528	1.895	2 965 1.565	265.3 140.0	9.938 5 244	2.470 1.303	3.343 1.764	2213 1168	2.202 1.162	60.96 32.14		
0.337 3.769	0.639 7.143	įr 18	89,48 1000,	3,352 37.46	0.833 9.310	1.127 12.60	746.4 8342	6.743 6.300	20.54 229 6		
1.006 9.405	1.907 0.767	2.963 1.200	267.0 107.4	10 4.023	2.485 1	3.344 1.353	2227 8%.0	3.316 0.891	61.29 24.66		
0.299 0.452	0.567 0.856	0.887 1.340	79.36 119.9	2.973 4.471	0.739 1116	1.511	642.0 1090.	0.659 0.995	15 IS		
0.454 1.642	717 100	1.347	170.5 435.6	1935	樧	1.518 5.489	1005 3634	1 3.616	27.66 100.		
	0.528 0.537 3.769 1.006 0.405 0.299 0.452	E S 1 1.895 0.528 1.895 0.537 0.639 3.769 7.143 1.006 1.907 0.787 0.425 0.787 0.425 0.854 0.454 0.951	E S DM  1 1.895 2.965 0.337 0.439 11.18 1.006 1.907 2.983 0.405 0.757 1.200 0.299 0.556 1.340 0.454 0.951 1.347	E S DM Year  1 1.895 2.945 2.55.3 0.328 1 895 1.565 140.0 0.337 0.439 1 89.48 3.769 7.143 11.18 1000. 1.006 1.907 2.963 267.0 0.405 0.767 1.200 107.4 0.299 0.567 0.807 9.36 0.422 0.856 1.340 119.3	E S 0M Yes FFr.  1 1.895 2.965 2.553 9.938 0.337 0.639 1.1855 140.0 5.244 0.337 7.143 11.18 1000 37.46 0.405 0.767 2.963 87.0 10. 0.405 0.767 1.200 267.0 10. 0.299 0.567 0.887 79.36 2.973 0.422 0.856 1.340 119.9 2.973 0.454 0.951 1.347 119.9 4.913	E S DM Yes F.Fr. S.Fr.  1 1895 2.965 2653 9.938 2.470 0.338 1 1895 1.565 140.0 5.244 1.303  0.337 0.639 1 1.18 190.0 37.46 9.310  1.000 1.707 1.203 197.4 4.023 1 0.299 0.567 0.887 79.36 2.973 0.739 0.422 0.856 1.340 119.0 4.401 1.116 0.494 0.961 1.347 190.5 4.513 1.122	E S DM Yes F.Fr. S.Fr. H.VI.  1 1.895 2.965 265.3 9.938 2.470 3.343 0.337 0.439 1.165 140.0 5.244 1.303 1.764  0.337 0.439 1.18 89.48 3.352 0.833 1.127 3.769 7.143 11.18 1000. 37.46 9.310 12.60  1.006 1.907 2.983 267.0 10. 2.485 3.364 0.405 0.767 1.200 107.4 4.023 1 1.353 0.299 0.567 0.887 79.36 2.973 0.739 1.351 0.494 0.951 1.347 1705 4.491 1.116 1.511	E         S         DM         Yen         F Fr.         S Fr.         H Fl.         Lina           1         1.395         2.965         265.3         9.938         2.470         3.343         2213           0.537         0.639         1.18         89.48         3.352         0.833         1.127         746.4           3.769         7.143         11.18         1000.         37.46         9.310         12.60         8342           1.005         1.907         2.983         267.0         10.         2.488         3.364         2227           0.405         0.767         1.200         107.4         4.023         1         1.353         8%0.0           0.422         0.856         1.340         1159.         4.491         1.116         1.511         1000           0.494         0.051         1.347         3780         4.513         1.122         1.348         1005	1 195 2.965 2.553 9.938 2.470 3.343 2213 2.202 0.539 1.555 140.0 5.204 1.303 1.764 1148 1.162 0.377 0.639 1 1.18 1000 57.46 9.310 12.0 8342 8.300 1.006 1.707 2.983 267.0 10. 1.483 1.163 8342 8.300 1.006 1.767 1.200 107.4 4.023 1 1.183 896.0 0.891 0.492 0.556 1.340 119.9 4.071 1.166 1.511 1000 0.095 0.654 0.856 1.340 119.9 4.071 1.166 1.511 1000 0.095 0.654 0.051 1.347 1000 4.513 1.122 1.318 1005 1		

EURO-CURRENCY INTEREST RATES											
Sep 7	Short larm	7 Days notice	Ose Month	Three Months	Sig Morehs	Cine Visite					
sorting  5 Doilar  5 Doilar  10 Doilar  5 Doilar  6 Doilar  6 Doilar  6 Doilar  7 Franc  11 Trans  12 Doilar  13 Doilar  14 Doilar  15 Doilar  16 Doilar  16 Doilar  16 Doilar  17 Doilar  18 Doilar	15 - 147 84 - 718 125 - 124 8 - 75 81 - 8 81 - 8 104 - 10 11 - 9 76 - 75 81 - 9 81 - 9 81 - 9 81 - 9	15 - 161 815 - 715 125 - 125 81 - 72 81 - 8 101 - 10 71 - 61 61 - 9 71 - 71 101 - 10	154 - 15 86 - 71 124 - 173 84 - 84 84 - 84 101 - 10 94 - 91 94 - 91 84 - 71	148 - 145 85 - 711 125 - 125 85 - 86 81 - 86 81 - 86 105 - 105 105 - 105 85 - 85 105 - 105 85 - 711	144 - 144 - 54 - 8 - 8 - 8 - 8 - 8 - 8 - 8 - 8 - 8 -	14.1 - 14. 81 - 81. 12 - 11. 81 - 81. 81 - 81. 1017 - 101. 12 - 11. 12 - 11. 13 - 6. 10 - 10. 10					

## FT LONDON INTERBANK FIXING

Q1100 a.m. Sept 77	3 montes US dollars	å mastik;	US Dollars
bM 7½	offer 8),	bld 712	offer 8à
The fixing rates are the arith	metic means rounded to the re- reference beaks at 11.00 a.	warest one-sinteenth, of the b et, each working day. The bu	id and offered retail for \$10 na are National Westminst

MONEY	RATES

NEW YORK			Treasury	BINS and	sones	
Luncht(me) Prima rate	. 10 1 91, 9	an hen.	-117-111	7.54 Feery 7.63 Fine y 7.73 Septem 7.75 10-ye	74	
Sept 7	Oversight	One Mosth	Two Months	Turen Honths	Mostles -	Largibard Intervention
Prankfert	7.%-100 912-104 52-53-8 72-71 101-104 8.60 104-101	8 10-825 10-101- 827-933 81-84 91-10 91-94 100-100	B20-8.35 101 <sub>8</sub> -101 <sub>8</sub>	1004.0 100-104 88% 848.650 82.86 105-114 94.90 110-114	8.60-8.75 10%-10%	8.00 9.50 -

## LONDON MONEY RATES

Sep 7	Overnight	notice	Month	Months,	Months	Year				
Interbank Offer	15 b 14 b 15	14 K 14 K 14 K	141 143 143 148	1411 1411 1411 1411	144 144 184 184	14 & 14 & 14 & 14 &				
Discount Mit. Dept. Company Deposits Finance House Deposits Treasury Bills (Buy) Fine Trade Bills (Buy) Fine Trade Bills (Buy) Dollar CDs SDR Linked Dep. Offer SDR Linked Dep. Did ECU Linked Dep. Offer	14)2	14%	14461 14461 1441 1450 80 80 80 80	144411111111111111111111111111111111111	14 14 14 14 14 14 14 14 14 14 14 14 14 1	144 144 144 8.15 9.5 9.5 163				
ECU Linked Dep Bid 9% 10% 16% 10%  Treasury Billis (cell); one-month 14½ per cent; three months 14½ per cent; six months 13½ per cent; Bank Billis (sell); one-month 14½ per cent; three months 14½ per cent; Treasury Billis Average tender rate of discount 14.2999 p.e. ECDB Fixed Rate Starting Export Finance. Make up day August 31, 1990 Agreed rates for period Sept 26, 1990 to Oct 23, 1990. Scheme it 15. pp.c. Schemes it 2. lill: 16.27 p.c. Reference rate for period Ang 3, 1990 to Ang 31, 1990 to Ang 31, 1990. Scheme it 15. pp.c. Schemes it 2. lill: 16.27 p.c. Reference rate for period Ang 3, 1990. Ang 31, 1990, Scheme it 15. pp.c. Schemes it 2. pp.c. Schemes it 2. lill: 16.27 p.c. Reference rate for period Ang 3, 1990, scheme it 1. pp. Schemes it 2. pp.c. pp.c										

0.63	0.10	2.13	n.C., Schemes II & III: 16.27 p.c. Reference rate for period Aug 1,1990 V&V. 15.021 p.c. Local Authority and Finance Houses seven days' fixed. Finance Houses Base Rate 15 from September 1, 1990: Bank seven days notice 4 per cent. Certificate of Tax Deposit (Series 6); Diried under one month 11-p per cent; one-three months 13 per cent; Under £10 Cet 9,1981 p. Deposits withdrawn for cash 5 per cent; Under £10 Cet 9,1989. Deposits withdrawn for cash 5 per cent.
L.03	2.17	5.01	
L.75	3.14	4.06	
2.68	4.35	5.39	
4.06	5.84	6.91	
3.79	7.53	8.62	

Offer . Bid Offer Bid	_	1111	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	101	10-4 10-4 6-7	10 %
(sell): ite of di 1990 A L III: 16 .c. Loca puses B 4 per d path 11 3 per d	month 14; one-month scount 14.2; greed rates 5.27 p c. Ref al Authority ase Rate 15 cent. Certific 5 per cent; ent; nine-tweltindrawn for	14il per cer 984 p.c. ECC for period Sc erence rate f and Finance from Septer cales of Tax one-three me	nt; three mo 5D Fixed Ra ept 26, 1990 for period As the Houses, se mber 1, 19 Deposit (Se comple 13 per 13 per cent;	nths 14% parting E ta Sterling E to Oct 23, rg 1,1990 to ven days' no 90; Bank Do ries 6); Dep r cent, three	per cent, Tro xport Finan 1990, Sche Aug 31, 19 ntice, others sposit Rates osit £100,0 siz months	easury Billince. Make reme i: 15.8 990, Schen seven day for sums, ; 00 and ow 13 per Geo

## 11.08 13.75

FIXED INTEREST STOCKS									
Amount. Paid up	Renyac Date	19 High	90) Low	Stack	Clasing Price E	+ or			
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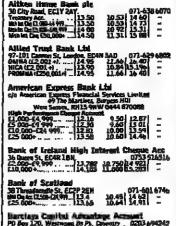
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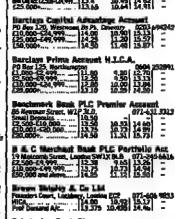
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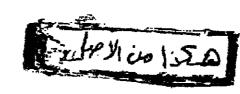
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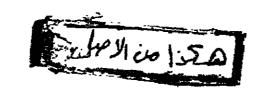
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## Modernist tuned in to the past

The composer and conductor Pierre Boulez talks to **Andrew Clements** 

hroughout the 1970s Pierre Boulez was a familiar figure in Lon-don's concert halls. As chief conductor of the BBC Symphony and the New York Philharmonic, he had set about refashioning musical life on both sides of the Atlantic with a crusader's zeal, attempting to transform the "museum culture" of the concert hall and drag it kicking and screaming into the late 20th century. For more than a decade com-

position seemed to take second place to conducting in his career, but the kind of transcareer, but the kind of talas-formation he sought was much harder to achieve than he envisaged, and when he reduced the scale of his activitles his lasting impact on programming seemed to have been negligible. Yet now that his appearances are strictly rationed, each becomes a pre-cious event — a reminder of the way orchestral concerts might be joited out of their blandness and routine.

Last night in the Festival Hall he conducted the Junge Deutsche Philharmonie in a concert for the South Bank's current celebration of postwar music, art and literature, Brave New Worlds. It was a typical Boulez programme: a work of his own juxtaposed with 20th-century classics by his teacher Messiaen, Debussy and Varèse. To understand the music of the present, he has always maintained, one must know and absorb the immedi-

The focus of Boulez's activi-ties as composer and conductor nowadays is the Institut de recherche et de co-ordination acoustique/musique (Ircam), the computer-based research institute buried away in the basement of the Pompidou Centre in Paris. He directs the institute's activities and those of its internationally renowned chamber orchestra, the Ensemble Intercontemporain, from a modest, functional office just around the corner from the teeming tourists of the Centre itself. After periods of disaffection and exile from his native culture, his leading position in French musical life is secured; the monument to his endeayour is all around him.

In conversation he is genial, relaxed, wittily tolerant; the flerce polemicist of the 1950s and 1960s, who rewrote musi-cal history to his own aesthetic prescription and called for the opera houses of the world to be blown up, appears to have been supplanted by a much more open-minded though just as highly motivated and influ-ential animateur.

For Boulez the composer's role has always been inseparable from that of the educator. What he organises at Ircam

institutional scale what he was doing 35 years ago in the Domaine Musical concerts in Paris, when the theatre director Jean-Louis Barrault provided the funding and Boules planned the programmes and hired the musicians.

The function of those modes concerts was precisely the same as that of the lavish the same as that of the lavish the-matic series regularly mounted by Ircam, to present the music of the present day in the con-text of the past. "If you wish to know what the young compos-ers of today are doing you must go to their models." That holds in the 1990s as well as it did in the 1950s. In post-war France there was

In post-war France there was

much more to do. Each Domaine season could only support four or six pro-grammes. Boulez recalls, a maximum of 25 works a year; everything had to be "as sharp as a knife." The composers who are now accepted as the ploneers of modernism — Strapioneers of modernism — Stra-vinsky, Bartók, Varèse, the Second Viennese School — were still imperfectly known; it was not until 1957, for instance, that Berg's Three Orchestral Pieces, composed in 1912, received their French premiere at a Domaine concert. Alongside such composers Boulez programmed the works of his contemporaries, the young Stockhausen, Nono and Berlo, occasionally too his own

Thirty years on one could have expected audiences to have moved on too, but the early modernists still feature prominently in the Ircam programmes. That might be construed as a failure of 20th-century composers to engage with their public, in the way that previous generations had previous generations had remained in touch with the late romantics. Boulez rejects that charge: there are always young people to be educated, who are hearing Bartók or Webern for the first time, and it is no use expecting the symphony orchestras to take on that responsibility while their repertoire remains so firmly rooted in the 19th century. Theirs has become a world not of culture but of entertainment," playing only music written between 1780 and 1900. "If museums were organised as today the entire collection of the Amsterdam Rijksmuseum would be contained in a single

Some aspects of concert-giving have changed for the bet-ter. It is a good thing, he says, that the old-fashioned gran-deur and absolute rule of conductors has all but disappeared, and with them the petty rivalries of a Toscanini and a Furtwängler, each des-



'Help yourself and heaven will help you'

not cosseted more than the other. But until the priorities of musical life change then the motivation is commercial rather than aesthetic, with

packaging and fashion taking priority.

Boulez's view of what he calls "authenticism," the per-formance of baroque and clas-sical music in a style that conforms as far as possible to that of the time in which it was written, is that it is just another commercially-driven

#### PERSONAL FILE

1925 Born in Montbrison, S. 1942-45 Studied at Paris Conservatoire with Olivier Messiaen, privately with René

1954 Began Domaine Musical concerts in Paris. Established international reputation as composer with premiere of Le marteau sans maître.

1969 Conducted Debussy's Pellés et Mélisande at Covent Garden. 1976 Asked by Georges Pompidou to plan and direct the institut de recherche et de (ircam) in Paris.

1971-74 Chief Conductor of Symphony Occionina.

1971-78 Chief Conductor of New York Philharmonic. 1961 Performance of first version of Répons, utilising the technology developed at Ircam.

fashion. It is cosmetic packag-ing that deals with only one aspect of the performance, the amund itself.

We cannot possibly know, he says, how 18th-century musi-cians treated ail the other aspects of a performance -rhythm, intonation and ensemble – and just what standards they regarded as acceptable. Even comparing recordings from the 1920s with those of 1990s are enough to show how expectations have changed, and how the precision of

recording, with its potential to retake passages until every detail is immaculate, has raised standards in the concert hall. Boulez's own fastidious nail. Bouler's own fasticious rehearsing has speeded that evolution significantly, and he admits to hearing imprecisions in his own early records that he would never tolerate today. The fashionable modes of composition, too, receive short shrift. While he is happy to concede that the constructivist funding, and while Boulez maintains the costs are compa-

rable to those of running a standard symphony orchestra, there has been consistent criti-

cism of the amount of subsidy the institute has absorbed, and

of what the artistic return on

has appeared in ever-expand-ing versions since 1981, was

designed as Ircam's stan-

dard-bearer, the work in which the full potential of its comput-

erised future was to be revealed, but the artistic results are at best ambiguous. Boulez's faith in the fruitful-

Boulez's faith in the fruitfulness of this elaborate hardware has, in the past five years, come to seem more and more peripheral, and to his domestic rivals, bidding for a greater share of the public purse, more and more extravagant. He sees that as inevitable, not his concern, and certainly beyond his control. He likens it to the guilty relationship of the West to the Third World — "while we get richer, they get poorer".

we get richer, they get poorer". But in the next breath he quotes a French saying: "It is better to be envied than to be

that investment has been. Boulez's own Répons, which

concede that the constructivist concede that the constructivist style which he pioneered in the 1950s, in which all the aspects of a work were planned according to a rigorous set of rules, has passed by — "Everyone was structurally orientated then, you find it in the painting and literature of the time as well" — and that each sen. as well" - and that each generation has its own preoccupa-tions, he is sceptical about cur-

rent trends. The French, he declares, have never been interested in repetitive music, though he has included the minimalist music of Steve Reich and Philip Glass in Ircam programmes, while the neo-romantics, returning to old-fashioned totality, are dismissed as "just another Les Six," the French composers who emerged in the 1920s under the influence of Less Contests with the internal contests. Jean Cocteau with the inten-tion of undermining the highart pretensions of romanticism. But even such Boulezian here tics get their chance at Ircam to work with the technology and to receive performances, the open house that Boulez keeps to the world's composers crosses almost all stylistic

In such trenchent dismissals. however wittily and irrevernowever withly and irrever-ently expressed, Boulez's intel-lectual steel seems as sharply honed as ever, and in defend-ing Ircam's privileged position in French musical life the fierce intellectual certainty asserts itself too. While Ircam attracts money and resources from private sponsors, particu-iarly to underwrite special projects or to supply its up-to-the-minute computer hardware – "Help yourself and heaven will help you" – the pressure for mixed funding is nothing like as intense as it would be in Britain

## The Gulf, the Budget and the real crisis

week to a Democratic proposal to impose an escalating tax on energy. The idea, of course, is to wean Americans off waste and off a bit of the delicit gently: an almost painless first step (there is an election in November, after all), with a warning of worse to come. The US faces a fiscal crisis and an energy crisis, he says, and must tackle them both.

This is one of the few sensible ideas to have emerged so far from the so-called Budget Summit: but an escalating energy tax, on any scale which would conceivably pass in Congress, will hardly live up to Mr Panetta's aims. The kind of energy tax he proposes will not change American habits, except in the very long run. Meanwhile, the US is send-

Meanwhile, the US is sending an army to the Gulf to prevent Iraq from imposing energy prices which might actually make a difference. As a result, the energy professionals are forecasting only a temporary run-up in oil prices, which will have little economic traces. This argume that these impact. This ensures that there will be a real energy crisis but some years from now.

The escalating tax will not balance the budget, either; and nor will any other idea likely to be adopted at the summit. This quarrelsome group of opponents is now quarantined at Andrews Air Force base in an effort to make its negotiations leak-proof, but there is no secret about what it is likely to achieve. Its real purpose is to produce a fig leaf to cover an agreement to amend the Gramm-Rudman deficit reduction law again. This is simply 1987 all over again, except that last time the process was given a more honest name - the Gramm-Rudman "fix".

All the same, the summit will ensure that the deficit will be a little smaller than it would otherwise have been, and this will be called reduction. In truth, as the markets have recognised for some time, the deficit is going up, not down. This looks like a disgraceful evasion, but in fact it is built in to the Gramm-Rudman law This was decribed by man law. This was decribed by Senator Ernest Hollings, one of



By Anthony Harris in Washington

its original sponsors, as "a bad idea whose time has come"; he has subsequently had the good taste to disown it. It is bad in several ways. The two most important are that it

tries to lay down a path for the cash deficit regardless of the economic circumstances, and that its operation is triggered not by the size of the deficit, but by a forecast of what it is going to be. The results have been just what ought to have been expected: dishonest forecasts all the time, and periodic "crises" when as a result the deficit is not actually reduced. They are periodic because in years of rapid growth the revenue. nue is buoyant, and the deficit does appear to be shrinking; when the economy slows down, as this year, there is a nasty awakening.
The timing is deadly,

because it means that the worst figures appear just when Congress is convinced that the economy is too weak to withstand a fiscal squeeze. The law is a formula for failure, and it works. Does this failure are of the standard of the standa amount to a crisis, though? In economic terms, surely not. In the current year it seems likely that the deficit will be about \$180bn instead of the target of \$100bn, which looks like a crisis; but this would increase the national debt by just 6 per cent. This means that it could actually be smaller in relation to national

income that it was in the previous year. The national debt is too big

for political comfort, it is true; but since the main result is to ensure that the retired have better incomes than they would otherwise enjoy, it is not all bad. In any case, the situation has been improving in real terms, taking one year with another, since the problem was recognised. A situation which is improving is not a crisis.

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is improving is not a crisis.
In any case, the joys of fiscal rectitude are not all they are cracked up to be. The President should ask his current favourite statesperson whether a budget surplus ensures a strong balance of payments, low inflation, or even low interest rates. She would give him a disappointing answer. And interest rates are his real concern: the President has woken up to the real US economic crisis, which is one of private rather than public debt, because his business friends tell him about it.

Mr Bush now regards getting interest rates down as more important that keeping taxes down. He imagines he can achieve this through a far from secret wast with the Bath has secret pact with the Fed; but Mr Alan Greenspan knows that central banks have pretty limited power to control interest rates. It is all a matter of what the markets will swallow; and what the markets are looking for, in vain, is not a cut of \$50bn in the deficit, but for some assurance that the politicians are in control of official policy. At the moment, they see nothing to convince them.

This is a true political crisis; and it seem likely to persist as long as US voters like to elect. Republican administrations with Democratic Congresses.
In any case, there is no magic in the kind of interest

rates cuts which could be achieved even by an ideal US government. The economy is suffering from a severe debt William Seidman (wearing his bank deposit insurance hat rather than his thrift clean-up overalls) warned last week, fi is going to get a lot worse before it gets better. The local bankruptcy score on Friday was two sizeable property developers and a regional retail chain. Just one of those days; Mr Bush, as an adoptive Texan, should know the feeling.

## Western governments should release strategic reserves

obody doubts who is morally to blame for the Gulf crisis. But as an economic phenomenon, the third Middle Eastern oil shock brings to mind the dictum that history repeats itself, first as tragedy and then as farce. The West's military and political strategy has been brilliantly handled; but the guardians of energy policy in Europe, Japan and America have acted with the strategic vision of the Keystone cops.
Contrast the courage and

far-sightedness displayed by Opec oll ministers in their agreement to maximise oil output with the inaction of the industrialised countries. None of them even bothered to send an energy or finance minister to the International Energy Agency's Governing Board

meeting on August 31.

As the oil price hovered around \$30 a barrel, the cheery group of relatively low-ranking ivil servants came up with the following reassuring conclusion: the oil market at present is generally well supplied." The trifling matter of a 60 per cent price increase in three weeks was merely the consequence of uncertainty and speculation, the communique implied. It then went on to reassure the speculators: governments would not start to sell their immense strategic oil stocks unless the supply situa-tion got much worse. And, Just in case this was not enough to



Anatole Kaletsky on the oil market

encourage oil hoarding, the IEA added its coup de grace: "the market could get progres-sively tighter during the winter when demand is seasonally highest." The communique did not even hint that this additional turn of the screw might finally bring out government

supplies.
Why are the governments of the industrialised world being

so passive?

First it is argued that government stocks are simply not big enough to have any impact on a market gripped by war-fever. This is nonsense. Given the increases in production already announced by Saudi Arabia, the UAE and Veneguela the shortfall in world oil zuela, the shortfail in world oil production due to the Gulf crisis amounts to 1m barrels a day at most. Government oil reserves stand at 1.06bn bar-rels, enough to make up for the

lost production for three years. Second, it is claimed that the strategic oil reserves are so badly run that they cannot physically get oil to market. The US reserves, in particular,

contain the wrong grades of oil, stored in the wrong places. US officials deny this, main-taining that they could pump oil without difficulty at a rate of at least Im barrels a day. The oil might be too heavy for some refineries, but this prob-lem should be reflected in a broader spread of prices between different grades of crude, rather than in the average price. Furthermore, the alleged problems of US strategic reserves do not extend to the stocks held by the West German and Japanese govern-ments. These amount to 412m harrels between them. This oil is mostly stored in steel tanks readily accessible from oil refineries, not in remote caverns.

The third explanation of gov-ernment inaction is the most plausible. Western govern-ments see their strategic oil reserves as a last resort, not be used until an actual war breaks out and threatens 10m barrels a day of Saudi and UAE output. This argument obviously contradicts the excuse that strategic oil reserves can-not be mobilised in a hurry: if oil from the Louisiana sait domes will take weeks to reach the market, surely the time to start pumping is now. But even letting this inconsistency pass, there is a flaw in the argument

for waiting. Let us assume that war does break out within the next three to six months. The volume of oil pumped from the reserves

be small in comparison with the size of the stocks currently available. Suppose, for exam-ple, that governments sold Im-barrels a day from their strate-gic stocks for the three winter mouths when sumply ressure. months when supply pressure will be most intense. This would reduce strategic reserves from 1.06bm to 967m barrels after three months. If war broke out then, the 9 per cent reserve reduction would have no noticeable impact on western governments' ability to meet further shortfalls. This would be dictated not by the

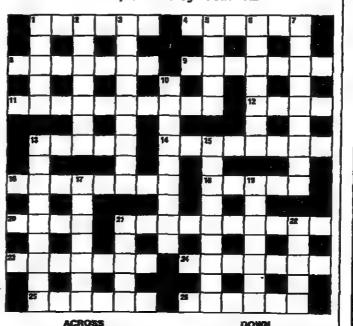
would be dictated not by the absolute volume of reserves, but by the governments' ability to mobilise them.

Yet if the pre-war reserve sales had any success in bringing down the price of oll, as they probably would in current market conditions, then the economic damage damage the by the market conditions, then the economic damage done by the inevitable wartime price spike would be significantly less. Not only would prices jump leas high if they started from \$20 a barrel rather than \$30 a barrel; the total duration of the wartime price shock would also be time price shock would also be

much shorter.
Of course, if war never broke out, the world would be far betout, the work would be lar bester off if governments took immediate steps to push down oil prices. So if the third Middle East oil shock precipitates the world's third stagilationary recession, don't just blame Saddam Hussein. Elame western

## JOTTER PAD

CROSSWORD No.7,337 Set by DANTE



I Out of the office, but to receive calls? (24) 4 It supports a light alceper

(3.3)

8 Members of Raliam society breaking the rules (7)

9 Return journeys to the Australian bush? (7)

11 Get together to enlist (4.6)

12 Placed a cover curside (4)

13 Everybody's playthat? (5)

14 Changes course when the vessel's caught in the swell (5.3)

(5,3) 16 Yet they don't look down in the mouth (3-5)

18 A girl in distress sought by
Lobengrin (5)

20 Said to be some form of test

21 Knotty garlic problem? (5,5) 23 1th meat minced and eater (7)
24 Affected to have worked hard in school (7)
25 Sound to procure a release from jail (6) 26 The coming of the Christian faith (6)

A doctor goes round the French scene of massacre (5) 2 Lock-keeper comes out of

the rain (43)

3 Russian capitalist (9)

5 A torn stub joins at the sides (5)

6 Fraudulent schemes in soap by-products? (7)
7 Deft clue I made misleading

10 A shield cut in chosen form 13 As playthings they have their points but can go off the rails (3.5) 15 Expressed sorrow about abstainer caught in cupidity

17 Ring bell on counter where travellers have to pay (4-3)

19 Daughter of Minos gives song with uplifting finale 21 Stop or pass on (5)
22 Spiteful woman traps the

The solution to last Saturday's prize puzzle will be public with names of winners on Saturday September 22.

#### **FINANCIAL TIMES CONFERENCES**

The following conferences are amoung those to be arranged by the Financial Times during the remainder of this year:

WORLD MOBILE COMMUNICATIONS 24 & 25 September - London

POLLUTION MANAGEMENT 2 & 3 October - Birmingham

FT-CITY COURSE

INVESTMENT OPPORTUNITIES IN BRITISH BROADCASTING 9 & 10 October - London

8 October - 26 November - London

PRODUCT STRATEGIES FOR THE 90s 15 & 16 October - London

FINANCIAL TIMES/PRICE WATERHOUSE CAPITAL MARKETS WORKSHOPS

17, 18 & 19 October, 21 22 & 23 November 5, 6 & 7 December - London BUY OUTS - THEIR FUTURE

CITY REGULATION REAPPRAISED 5 November - London

23 & 24 October - London

WORLD ELECTRICITY CONFERENCE 12 & 13 November - London BUSINESS WITH SPAIN

19 & 20 November - Madrid EUROPEAN BUSINESS FORUM -BUSINESS IN CENTRAL AND EASTERN EUROPE

PETROCHEMICALS IN EUROPE 28 & 29 November - London

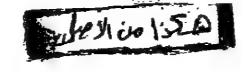
26 & 27 November - Rome

WORLD TELECOMMUNICATIONS 3 & 4 December - London

REVIEW OF TELECOMMUNICATIONS POLICY IN THE UK 5 December - London

THE FOOD AND DRINK INDUSTRY IN EUROPE 11 & 12 December - London

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ Tel: 071-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 071-925 2125



Monday September 10 1990

#### SECTION III

Some 2,000 international

reinsurers gather in Monte Carlo today for the annual

'Reinsurance Rendezvous de Septembre' to discuss trends and ratings prior to the opening of the renewal season. Richard Lapper assesses the state of the market.

## Underlying uncertainty

IS REINSURANCE about to become more expensive or will fierce price competition continue into next year ? Reinsurers, who meet today

for the annual pre-renewal seacarlo, are keeping their cards close to their chests. Underlying the uncertainty is the fact that a long term change in the nature of their industry is complicating the plicating the relatively simple market-based dynamics of the

industry's pricing cycle.
On the one hand, the long-term demand for proportional reinsurance - in which insurer and reinsurer share premiums and claims in agreed proportion ~ is declining. insurance companies, especially in Europe where substantial progress has been made towards a genuine free market, are becoming bigger and have the financial muscle to carry more risk without support from reinsurers. Instead, insurers are looking for more protection against so-called catastrophe risks. These are traditionally reinsured on a non-proportional basis, with insurers retaining losses up to an agreed limit and then reinsuring above that limit, dividing the total exposure into horizontal layers.

portional reinsurance is aggra-vating problems of surplus capacity and depressing rates, increasing demand for catas-trophe cover is tending to firm up rates. Moreover, the likeli-hood of sharp rate increases hood of sharp rate increases has been increased by recent loses. Increasingly, says Mr Ron Iles, chairman of Alexandra January 1888 der Howden Reinsurance Brokers, "there is a separation

kers, "there is a separation between catastrophe business and conventional reinsurance." In the last three years, reinsurers have been hit by two catastrophic Caribbean hurricanes (Gilbert in 1988 and Hugo in 1989), four European windstorms (the October storms of 1987, and three storms of 1987, and three storms in January and February 1980), the San Francisco earthquake of November 1988 and finally a succession of hiland finally a succession of hilion dollar property and business interruption losses in the chemical, petrochemical and oil industries. Occidental (Piper Alpha in July 1988), Bayer (Uerdingen, Bayaria in February 1989) and BASF (in Antwerp in March 1989) and Philips Petroleum (Passdens. Philips Petroleum (Pasadena, Texas in October 1989) suffered from massive property damage and interrupted production after explosions and fires.



Earlier this year Swiss Re published figures indicating that insured losses from catastrophes (both natural and man-made) had nearly doubled in real terms between 1970 and 1989. In 1989, insured damage from catastrophes amounted to more than \$13bn.

The string of recent losses has wreaked a savage impact on the specialist catastrophe retrocession market in London, the so-called London market excess or excess of loss market, where reinsurers buy their own reinsurance or retrocesaion protections. The number of losses, together with the increased speed with which claims are processed as a result of the introduction of new technology, has shattered the "spiral", an intricate network of reinsurance and retrocession arrangements by which LMX writers help pro-tect each other's accounts and dilute the impact of big losses

over time. Hurricane Alicia of 1983 caused losses of \$1.2bn but reinsurance claims stemming from Alicia were still percolat ing through the spiral earlier this year.

By contrast, reinsurers and

By contrast, reinsurers and retroinsurers are paying claims on more recent losses much more quickly. Furricane Hugo is said to have penetrated the top layers of some LMX on LMX writers within less than a year. A number of Lloyd's syndicates, specialising in the LMX business, have got into difficulties as a result. Ms Yvette Bavin, of Citicorp's insurance markets business insurance markets business development, says: "Claims are going through the market much faster. Most outstanding claims from Hurricane Hugo listed at the end of 1989 have now been paid and settled." In the non-marine area, LMX protection has become steadily more expensive since 1987.

Last autumn, the market was

hit by Hurricane Hugo, San Francisco and Philips Pasadena within the space of a few weeks, throwing LMX writers weeks, throwing LMX writers into despair. Lower layers of LMX cover became prohibitively expensive, with those underwriters prepared to offer the cover charging clients up to "45 to 50 on line" (45-50 per cent of the sum insured).

Rollowing this winter's

cent of the sum insured).

Following this winter's storms, capacity on the market dried up almost completely. According to Mr lles, as much as half the LMX's market's capacity has fallen away during in the past year. These developments are important for smaller players who lay off a substantial percentage of their own exposure in the LMX market. Some reinsurers are going into the renewal season going into the renewal season without having their own "out-ward protections" in place. Underwriters are essentially risking their own capital when

much less likely to offer rates that are too low. Other underwriters who are covered will pay much more for their retrocan charge more, the reinsur-ance cover they sell will find their margins squeezed and their profitability undermined.

Australian insurers who customarily renew their reinsurance covers on 1 July paid a basic increase of between 10-30 per cent, but considerably more than this where they had any exposure to either of Australia's two recent catastrophic losses, the earthquake of December 1989 and the Sydney hallstorm of March 1990. Some tern could be repeated when the main international renewal season opens, with insurers who have had heavy exposure to catastrophes paying more. Others suggest that the rate es will be across the issed for curtain risks.

IN THIS SURVEY constitutes a catastrophe is widening. Mr Graham Dimmock, manager of non-marine at Swiss Re (UK), says that the January and February storms in Europe have changed his

But the definition of what-

company's attitude to the way in which it manages European windstorm peril. European windstorms are becoming more frequent and this, he says, "will have a substantial impact on the pricing of lower levels of reinsurance." Mr Jeremy Hindle, who underwrites for Swiss Re (UK),

says that reinsurers are likely to increase the lower limit above which they offer cover. Last year, for example, some UK insurers bought reinsurance above a limit of £15m. They may be hard pressed to get the same protection this

year, irrespective of the price they pay. According to one underwriter, "for the reinsur-ance of direct writers we are talking of retentions increasing by two or three times," However, in other areas of the reinsurance market - proportional reinsurance, non-pro-portional per risk cover where reinsureds have a good loss record, as well as the facultative reinsurance of European industrial riaks, for example -

set to continue. Reinsprers must fight harder and price more competitively to win business. As reinsurance becomes more catastro-phe oriented, it will become a more volatile business and reinsurers will need to grow if they are to withstand the ups

soft market conditions seem

and downs.

Already there has been something of a shake-out, espe-cially in London, where the bulk of smaller and medium sized reinsurers are concen-trated, either at Lloyd's or in the company market. Many insurers who had really only dabbled in reinsurance quit. "We've seen the departure from the market of the inno-cent capacity of the late 1970s and 1980s - the sort of underwriters who had open cheque books, bags of capacity and very little underwriting experi-ence," says Mr Nigel Harley, managing director of Sorema, the London-based reinsurance subsidiary of the French mutual company, Groupsma. More recently, some big

DISASTERS: reviewing the way In which storm damage is reinsured ..... Page 2 MARINE LIABILITY: PAI-

\* F

clubs have been facing rising claims since 1986-87 **POLLUTION:** court battles continue over the costs of cleaning up.....Page 3 THE LONDON MARKET: seen as a reinsurance

BROKERS: the wave of mergers of the past two years has faced brokers with a diminishing pre-

INTERVIEW: Mr Jim Payne, chairman of E W Payne Companies... Page 5 FINANCIAL REINSUR-ANCE: more than arcane witchcraft.....Page 8 **EUROPE:** how are Munich Re and Swiss Re preparing for increased competi-

CAPTIVES: a sophisticated alternative market...Page 8 Hustration: Simon Farr Editorial Production: Andrew Slade

insurers have opted to sall off or close their reinsurance operations. Britain's Legal and General sold its Victory Re subsidiary to the Amsterdam-based Netherlands Reinsurance Group in July. Explaining the sale, L&G's chief executive Mr Joe Palmer said that with-out more capital, "Victory was condemned to a steady decline. It needed to be larger.

Mr Harley predicts that the number of truly international remaurers is certain to fall and suggests that a "first division" of between 20 and 30 genuinely international reinsurers will emerge. To join the first division reinsurers need size and premium income. "Those insurers with financial muscle are quite prepared to follow the market down knowing that the results will be bad. But they know that they can with-stand the sbock and that some of their competitors can't, says Mr Harley.

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IN THE wake of last winter's catastrophic storms in north-west Europe, reinsurers are anxiously reviewing the traditional ways in which they reinsured storm damage. Nine low pressure weather systems hit Europe between the 24 Jan-uary and 26 February this year, leaving the insurance community with a bill in the region of at least £4.5hn, more than twice as much as the £2br plus caused by the storm of October 1987, the worst storm in the UK for nearly 300 years. The Lloyd's Underwriters Non-Marine Claims Office

(LUNCO), which monitors insurance catastrophes at Lloyd's of London, divided this month of storms into four separate events. Storm 90A affected France, Belgium, the Netherlands, Denmark and German between January 24-26; 90C hit the UK on January 27; and 90D affected France and other areas of continental Europe between February 3-4. Storms classified as 90G awept over north-west Europe again on

February 28.
In the UK the winds did not quite reach the speeds recorded during October 1987. But insured losses were greater, with winds in both January and February affecting a much wider area of the country than three years ago. In parts of the west of Britain the storms were accompanied

The storms had a particularly devastating impact on the London excess of loss market (LMX), in which reinsurers and retroinsurers lay off part of their own exposures. LMX underwriters were reeling from the combined impact of hurri-cane Hugo (losses of \$7bn

quake (\$1bn plus) and the Phil-ips Pasadena petrochemical plant (\$1bn plus), with capacity shrinking and prices, espe-cially for lower layer LMX cov-

ers, at all-time highs.

In the wake of the storms, capacity on the LMX market shrunk even further, with many smaller players abandoning the market. When available, retrocession covers are much more expensive. In the LMX market top level covers are now costing between 7½ and 10 on line (7½ and 10 per cent of insured values). Lower level covers are costing as much as 50 on line (50 per

Reinsurers, too, were harder hit this time than in 1987, because insurers had ceded more business to them. The UK's two biggest domestic property insurers, Sun Alliance and Royal Insurance, which bought virtually no reinsur-ance in 1987 and therefore carried substantial losses on their own books, both had reinsur-ance protections in place this year, limiting their own net losses to £110m and £35m respectively from 90A. In 1987, by comparison, Royal's net losses amounted to £125m and Sun Alliance, £150m.

With less help from the ret-rocession market in 1991, reinsurers are likely to offer much tougher terms to their clients. Many smaller London-base reinsurers, who depend heavily on the retrocession market, will experience some difficulty in assembling the capacity to write the same volume of business as last year.

Although the bigger European reinsurers have the man-cial muscle to compensate for an reinsurers have the finan-

flat out to clear the back log of In

**DISASTERS** 

## Taking another look at how to weather the storm

reduced capacity at higher levels, they are also likely to change their approach to wind-

storm risk. Mr Graham Dimmock, man-ager of non-marine at Swiss Re (UK) says: "Our capacity has sarily been reduced. But the winter storms have

changed our attitudes to the way we manage the risk." In the 1991 renewals, reinsurers are likely to increase the lower limits above which they make reinsurance available. We will limit the amount we write at lower levels, but write much more at higher levels of

the programme," says Mr Dim-mock. With reinsurers taking bigger net lines themselves, they are likely to demand that direct writers also carry more risk on their own books. Prices for direct reinsurance

will increase. Swiss Re estimate that upper end of reinsur-

least double in price in 1991 (from an average of between 0.7 and one on line at January 1 1990). "Td be surprised if any-one was offering below two on line for European windstorm business," says Swiss Re (UK)'s underwriter. Mr Jeremy

Hindle, For lower layers, increases are likely to be much greater, with prices rising by as much as 300 per cent. These increases follow substantial rises over the past three years. Rates increased by up to 600 per cent between 1987 and 1990.

These changes, however, are more than just a market reac-tion, based on short-term trends in capacity, an 87J was regarded as a one in 300 year event and rated accordingly. They are joking in the rein-surance market that 87J was the end of one 300 year cycle. 90A was the beginning of the next," says Mr Tony Dodd, treaty underwriter with the Commercial Union subsidiary,

British and European. However, reinsurers now regard catastrophic windstorm as a potential one in three year event and must begin to rate it accordingly. There is a growing feeling that weather pat-terns in north-west Europe are changing.

Some climatologists sugges that over the past 10 years the weather in north-west Europe weather in north-west Europe has become increasingly unstable and that this is linked to the greenhouse effect, with sharp changes in the difference between the temperature of land and sea leading to greater instability. "There is no doubt that the weather is taking same extreme forms," says Wr some extreme forms," says Mr Dodd.

In response, reinsurers are beginning to examine their aggregate windstorm expo-sures in the same way as for earthquake risks. According to Mr Dodd, the movement to actively seek windstorm accumulation figures for insurance companies, in both the UK and elsewhere in Europe, "is gain-

ing momentum." By early 1991 ing momentum." By early 1991
it is expected that direct insurers will be asked to provide
information detailing the
storm exposures of their own
clients to their reinsurers.

Another issue worrying reinsurers is the way in which people are more likely to claim on
their insurance policies, a factor which one underwriter

tor which one underwriter describes as "consumer inflanescribes as "consumer infla-tion." Reinsurers were particu-larly disturbed by certain, aspects of the claims handling, process and believe that insurers may have actively encouraged insurance claims by their post-storm advertising cam-paigns. Reinsurers have appointed two firms of loss. djusters to investigate the claims handling process after.

90A. This hints at a possible divergence of interest between insurers, whose post-storm advertising was designed to demonstrate the quality of after sales service and lift their share of a highly competitive market, and reinsurers, who are striving to limit claims costs. This divergence is particular. ularly important bearing is mind the way windstorm is reinsured on a non-propor-tional excess of loss basis se opposed to a proportional basis, in which insurer and reinsurer share premiums and costs in proportion.

Whereas proportional business is written on a "follow the ers contractually obliged to meet all claims, non-propor tional reinsurers are only obliged to make payments of claims that the original insure had to make according to the terms of the original policy.



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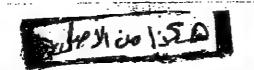
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#### REINSURANCE 3

PROTECTION and Indemnity (P & I) Clubs and their reinsur-ers, which handle marine lia-bility insurance, have been facdon market.

ing rising claims since 1986-87. The pressure comes from two sources: first, the cost of oil pollution liabilities has risen enormously since the Exxon Valdez ran aground in April 1989; second, there has been a secular rise in smaller claims, for losses other than oil pollution, since two or three years earlier.

With reinsurance rates rising as a result, last autumn the clubs had to announce rate increases of 25 per cent or more for the 1990 renewals and make substantial supplementary calls on members, some going back to the 1987 year.

Under the P & I club arrangements, claims up to US\$1.6 million are covered by the individual clubs.

the individual clubs. From \$1.6m to \$12m, they are pooled among the International Group of P & I Associations. Above \$12m, the International Group reinsures claims up to \$1.25 billion with market excess of loss underwriters on an interna-

tional contract led in the Lon-

cover, claims for oil pollution liabilities are limited to \$500m. raised from \$400m in February this year, when a further \$200m of supplementary pollution cover was made available to individual clubs on a market arrangement. Around 60 per cent of Group tanker tonnage is covered by this supplement.
Above the \$1.25 billion limit,

non-oil pollution claims would theoretically revert to the clubs' pooling arrangement, though that limit has not yet been reached. Individual clubs would contribute to the excess on a proportional basis. Clubs representing around 80 per cent of Group tonnage have taken out further excess of loss market cover for \$300m to protect their individual share of any such claims.

Some of the clubs, particularly smaller ones, also purchase treaty reinsurance to protect their share of pool claims between \$1.6m and \$12m, and even their own retentions below \$1.6m. Chris Clarke assesses the impact of rising marine liability claims

## P & I clubs under pressure

On the oil pollution side, the grounding of the Exxon Valdez in Prince William Sound produced the largest ever marine pollution liability, with Exxon paying out more than \$2 billion in the first season on clean up and compensation, with considerably more to come as civil and criminal lawsuits grind on.

At the time of the incident, oil pollution cover was limited to \$400m, but even that was three times larger than the pre-vious highest claim, for the explosion of the Betelgeuse in Bantry Bay in 1978. Since the Exxon Valdez incl-

dent, there has been a succes-sion of major oil spills, including the American Trader, off prime beach property just south of Los Angeles, the Mega Borg, off the coast of Texas, and the Khark V and the Aragón, off the coast of north There have also been innu-

merable smaller spills in New York harbour, right under the noses of the world's media. This has led to "a very sub-

dards expected of clean up operations have both hard-ened. Consequently, costs are very much higher than two years ago." The political response has been equally severe, with the

Reinsurance rates are certain to rise when the clubs start to discuss renewals with reinsurers

stantial increase in exposure" since the Exxon Valdez spill, according to Mr John Riley of Tindall, Riley & Co, London, managers of the Britannia Club, and a member of the International Group's reinsurance sub-committee. "Attitudes in the US have hardened considerably. The standards expec-ted of the owner and the stan-

US shortly to approve a new oil spill liability and compensation law which greatly increases federal liability limits and does nothing to curb more draconian regimes in individual states, some involving unlimited liability.

There are parallels with US onshore pollution legislation, with the introduction for oil spills of strict, and joint and several liability, with limited defences and continuing confusion about who counts as a "responsible owner". However, much remains to be determined by detailed regulations, which have not yet appeared.

Mr Riley does not see the new law greatly changing the situation on exposure and lia-bility, because it is already difficult for an owner in a major spill to avoid charges of negli-gence. "In practical terms, it has been virtually impossible for an owner to limit liability, because the courts would not allow it." However, he points to the question of how to put monetary figures on damage to natural resources. The whole

concept of damage will be wid-

ened," he says.

If oil spills have been the

spectacular part of the clubs' claims experience, an accumulation of smaller claims has squeezed their premium income just as much. Pool claims in the \$1.6m-\$12m region have risen from \$60m in 1986 to an expected figure in excess of \$200m in 1989. Most club managers and agents agree that the root cause is the revival in shipping activity since 1986. Beyond that, opinions differ on the specific fac-

Last autumn, Mr John Rowe of Charles Taylor, managers of Standard Club, listed the poor condition of ships being brought out of lay-up; sub-standard crews: increased asset values in cargoes and dock facilities; faster claims settle-ment procedures; rising legal costs, leading to more out of court settlements; and the failure of rating on vessels' past records to adjust sufficiently quickly to the increased level

Others have pointed to sailing, higher repair costs and higher court awards. Mr Luke

Readman, of agents Thomas Miller P & I, associated with the UK Club, emphasises that the claims increase did not stem from a single factor. "It is not true that all ships are substandard and not true that all crews are poorer. Three big oil spills, the BP Nautilus, the American Trader and the Mega Borg, all occurred in six months in the US, but had no

common factor."

Mr Readman points to the accidental factor in rising shipping activity as a key to the claim trend. As for the future, he feels that "there is no reason to see logically why claims should revert to their mid-1980s level."

In that context, reinsurance rates are certain to rise when the clubs start to discuss renewals with reinsurers. The reinsurance has to be sewn up before the clubs discuss their own 1991 rates with members of the end of the year. Mr Riley expects to see "a significant hardening", with underwriters hit by a number of liability losses this year and "very wary of the risk".

ENVIRONMENTAL liabilities are like a huge tidal wave rising above the insurance industry and several others, threatening to cause considerable

An increasing number of countries, led by the US, want to undo the harm caused by pollution over the years and they need someone to pay for it, some institution or institutions with a "deep pocket". By historical accident, this

new-found desire to clean up the environment has arisen just as governments throughout the world have committed themselves politically to reduc-ing taxes. Two slogans, "No new taxes" and "The polluter pays", have come together like the proverbial rock and a hard

The greatest concern of the insurance market, and of other likely targets, such as the chemical industry, is to avoid being caught in the middle.

This has resulted in a legal war with very high stakes, with insurers and their lawyers fighting to hold the line against policy coverage inter-pretations that would land them with a large proportion of

the clean-up bills.

The most critical battles are taking place in the US state courts, throughout the 60 states, since insurance law in ... the US is state law. However, it is too early to say who is winNew pollution laws could open the door to large claims

## **Court battles** over the costs of cleaning up

The insurance market in London and continental Europe is holding its breath, hoping that pollution law will not open the door to claims on the scale of those related to

Policy holders, meanwhile, are equally aghast at the scale of clean-up costs and at the

infinitely expansive scope of liability in US courts. They see little choice but to try the insurance routs to protect themselves from massive

es or even bankruptcy. They are even employing a new professional, the insurance archivist or archaeologist, to dig up old policies that might protect them after an unwise acquisition.

As far as the policyholders' liabilities are concerned, virtually any commercial enterprise

Liability under the 1980 "Superfund" Act (CERCLA) and its 1986 reauthorisation (SARA) is strict, joint and several, and retroactive.

innocent party defences have proved notably ineffective and anyone with even the most tenuous connection with a contaminated site may be liable for 100 per cent of the clean-up

Policyholders have sought insurance under their general liability policies. Insurers have argued, among other things, that contamination that occurred gradually, over many years, can not be covered and that Government-ordered clean-up costs do not constitute "damages" under the poli-

From the early 1970s, policy

wordings were introduced that accidental" pollution, in the hope of excluding "gradual" effects.

The courts, however often chose to interpret "sudden and accidental" to mean simply "unintended and unexpected", without any reference to

abrupt accidents.
In 1986, the US direct insur-ers therefore introduced absolute pollution exclusions, which have so far been upheld in court.

A few cases on the principle of cover under pre-1986 word-ings have reached as far as state Supreme Courts, the highest courts that can rule on insurance coverage, with half a dozen such verdicts going either way and both insurer and policyholder attorneys claiming favourable outcomes as setting the pattern for the

The clean-up costs in the underlying cases run to tens and hundreds of millions of dollars per site.

At the smaller end, the US Environmental Protection Agency estimated in 1988 that around 400,000 underground storage tanks, containing rela-tively harmless substances, like gasoline, were leaking in the US. These might cost on average \$1 million per tank to clean up. Hazardous waste sites can be much more expen-



Mopping up begins after the Exxon Valdez spill in Alaska

So far, a few cases have arrived at the stage where insurers have to pay out. If the court decides that they must pay, the reinsurance markets will face claims running into

billions of dollars. Despite different legal systems, it would be foolish to underestimate the speed at which Europe is moving towards the US model. The draft EC directive on civil liability for waste, expected to emerge as law next year, will bring many of the liability features of CERCLA to Europe. Parliamentary committees have proposed compulsory

insurance to cover these liabilities and a wider directive on civil liability for the environment in general is set to fol-

The asbestos analogy is instructive in two ways. First, insurers did not predict the colossal scale of assestos awards. A decade or so later, with perhaps up to \$4 billion worth of bodily injury awards already in, the number of

claims is still growing.
Second, the hapless direct insurers, particularly in the London market, have had a hard job convincing some rein-surers that they have to hand

over the vast sums they are being asked for.

Mr Sebastian Salama, a consultant to London brokers Alexander Howden who is assisting the London market's Asbestos Working Party to accelerate recoveries from overseas reinsurers, believes that because continental reinsurers have been less exposed than their British counterparts

than their Brinan counterparts to US law, they find it difficult to comprehend the enormous awards being made.

"When they keep getting claims with a lot of noughts at the end, they want to know what this is about," Mr Salama

says, adding that French rein-surers describe such rulings as "ces decisions fantaisistes"

But if the direct insurers and reinsurers think the asbestos bodily injury claims are bad, they have still got asbestos property damage to look forward to. It is planned to remove asbestos containing material from \$5,000 public schools in the USA and consideration is being given to taking it out of some 700,000 public

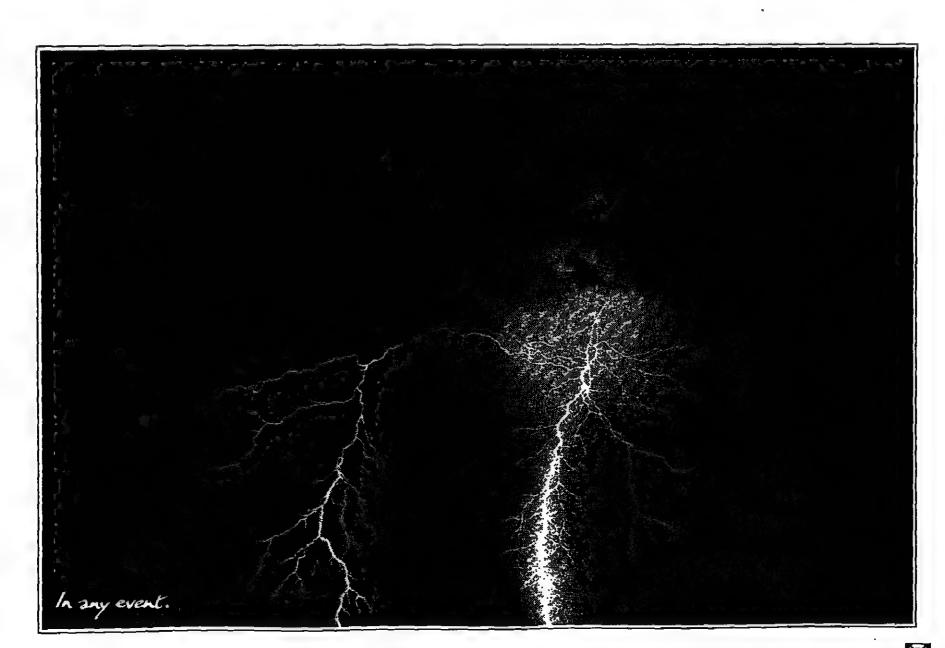
If US courts adopt the same philosophy on these, says Mr Salama, they will dwarf what is being paid on bodily injury. "Talking about property damage reminds me very much of the early days of bodily injury. No-one imagined we would be dealing with so many cases. People kept saying it had reached a peak, that it would go down. It never did."

As far as future environment.

As far as future environmen tal claims are concerned, Mr Selamafeels that market atti-tudes have hardened considerably in the light of the asbestos

Insurers are fighting much harder to resist liability. But if key US judgements go against them, "the market will be much better organised than it was for asbestos. There will be better dialogue between the London and European reinsur-

Chris Clarke



M MERCANTILE & GENERAL REINSURANCE

The October storms in Northern Europe, known in the market as catastrophe 873, represented the largest single weather loss in insurance history and a vapour cloud explo-sion at the Hoechst Celanese

factory in Pampa, Texas, one of the largest single fire losses. Despite these incidents, however, Lloyd's of London reported an overall profit for the year of \$880.8m compared with \$1,013.3m in 1986.

It is unlikely to do so well

for some years to come, for much worse was on the way. The marine market suffered its largest ever loss, the destruc-tion of the Piper Alpha oil rig in the North Sea, in October 1988. Hurricanes Gilbert and Joan in that year were merely a foretaste of the \$4bn cost of

Hurricane Hugo in 1989. In the same year, underwriters also paid out for earth-quakes in San Francisco and Newcastle, Australia. Follow-ing hard on the heels of a fire at the Norco refinery in the US in-1988 came major fires at

Philips Petroleum's refinery in Texas, a BASF factory in Antwerp and a Bayor plant in Germany in 1989. For the marine market, there was the Exxon Valdez oil spill, while aviation losses totalled \$1.3 bn. By the end of the year Lloyd's catas-trophe classification had reached SEAF.
As if all this was not bad

enough, 1990 began with two storms in Europe, catastrophes 90A and 90D, each of which was at least comparable with 87J, which was supposed to be

Writers of direct business relied on cheap reinsurance

a "once in 20 years" event. The impact of this string of disasters on the market has been unprecedented. Piper Alpha penetrated the successive levels of reinsurance protections extremely quickly, not least due to centralised and automated claims handling. As some underwriters specialising in reinsuring other A sharp contraction in capacity is predicted, says Trevor Petch

## **Turning point for London**

reinsurers - the XOL on XOL or reinsurance spiral under-writers - found themselves paying for the same loss in difrent directions, the limits of their own protection were exhausted by May 1990, only 18 months after the event, compared with 5 years for the 1985 Hurricane Alicia. Piper Alpha is only the first of a series of pine. Catastrophes, which nine catastrophes which entered the spiral between October 1988 and the 90D storms of February 1990.

The implications are profound. Writers of direct business, especially in the crowded marine and aviation markets, have increasingly relied on the availability of cheap reinsurance to cover the business which they know they are writing at prices that are unjustifi-

ably cheap. Excess underwriters in Lloyd's and the London company market have found them-selves simultaneously funding claims as never before while reinstatement of their own reinsurance protection has become unobtainable or pro-hibitively expensive. Mr Rich-ard Outhwrite, underwriter of ard Outhwaite, underwriter of Lloyd's syndicate 317/661, remains one of the sharpest observers of the marine insurance scene despite his well publicised and extremely expensive involvement with writing run-off contracts for other syndicates in 1981-82. This year he reported: "It is not uncommon to see excess catastrophe reinsurance contracts being placed at premi-

place at that price."

A sharp contraction in capacity is almost universally predicted for 1991, but there is

Trevor Petch profiles Lloyd's

ums ten times those which

were paid two years ago and.

even so, proving difficult to

no certainty that this will have a trickle down effect on pri-mary insurance rates. Reinsurance is a global industry and few events (if any) have an equally severe impact on all sections of the market, even at the highest levels of retroces-sion. Thus there was no gen-eral hardening of rates after 87J because it had little com-mercial effect in the US. Hurricane Hugo partly evened up the transatiantic divide, but some US companies escaped significant exposure to that as well. A lot of competitive pressure needs to be squeezed out before contraction at the top of the spiral has an effect on pre-miums at the direct level, and

be short lived. Nowhere is this more apparent than in the aviation market. The last good underwriting year was 1988. Thereafter,

even then the effect may only

insurance buyers were able to demand - and obtain - cover at a much cheaper rate, From 1987 to 1989, losses exceeded premium income for the market as a whole, but rates continued to fall. Reinsurers bore the cost but the Lloyd's aviation market returned only slightly reduced profits in 1987 that it had in 1986, \$246.2m as opposed to \$266.3m, but is unlikely to do so for 1988 and 1989. One direct syndicate, which had cover for \$59.6m excess of \$400,000 for any one loss in 1986-87, succeeded in buying \$104.99m excess of \$10.000 for relatively little more

premium in 1989-90 Global aviation premium for 1990 is in the region of \$300m, less than a quarter of the 1986 level. Annual claims in the interim have been in the region of \$1bn. Even this cash figure conceals a further effec-

tive price cut: in early 1989 many buyers successfully pressed for the insured period to be extended from one year to 18 months, contracts which are due for renewal next

Some underwriters see this as a window of opportunity for a rate increase. Their aim will not be assisted by the fact that by the end of August there had been no major losses involving Western-built aircraft in the

developed world.

The combination of long

Global aviation premium for 1990 is around \$300m

term overcapacity and cheap reinsurance appears to have combined to produce a qualita-tive change in the structure of the business which will be difficult to overcome and leaves only losers among reinsurers. Aviation insurance buyers increasingly intervene in the reinsurance market directly

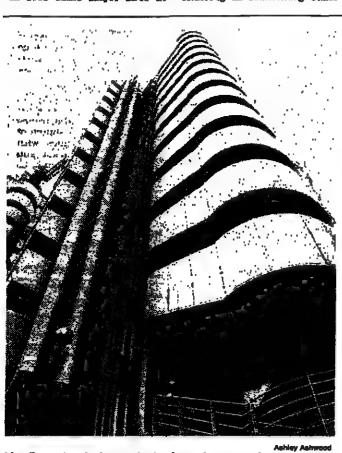
through captive insurance

companies or airline mutuals. This has further exacerbated competition at a time when potential losses are continuing

in increa Many of the world's airliners re becoming old and frail. The are becoming oid and Itali. The US represents a permanent high risk area because of its legal liability system. Although many risks are excluded in aviation policies, underwriters are forced to assume the costs of defending the clauses against, actions designed to remove this protection. Further litizathis protection. Further litiga-tion over pollution looms, while the risks of terrorism.

show no sign of abating. London company market avi-ation underwriters are currently discussing aggregating capacity into an aviation pool on US or continental European lines, but a reduction in capac-

ity does not appear to be a feature of the plan.
London already boasts two aviation consortia: Aviation & General Insurance Co Ltd and British Aviation insurance Co Ltd. founded in the 1930s. Both are jointly owned by composite insurers, who compete against them with their own underwriting operations.



Lloyd's: not only increasingly dependent on reinsurance, but also increasingly seen as a reinsurance market

## Adapting to change and competition

DURING the late 1980s the changing structure of demand for industrial insurance, sharp competition for marine and aviation accounts and an equally aggressive quest for market share in UK personal lines and motor business, left Lloyd's not only increasingly dependent upon reinsurance but also increasingly seen as a reingurance market.

Underwriters found it difficult to fill their syndicates' capacity while maintaining a premium rate likely to yield an

All syndicates were also faced with the loss of one of their main advantages in former times: a low cost base. Increasing costs of regulation - the legacy of the scandals of the late 1970s and early 1980s as well as heavy investment in new technology increased expenses. Competition, too, had a knock-on effect, as insureds demanded improved service, particularly in speed of claims payment.

The cost of US liability business escalated as US court awards became increasingly punitive and all-embracing. As losses on old years already closed under Lloyd's three-year accounting system increased, new rules in 1984 prevented underwriters from taking an overcautious attitude to the level of reserves that should be provided when closing their accounts. Those unwilling to make a precise estimate on the basis of the information available often chose instead to leave the account year open. In 1989, 92 syndicate years were in that state, a reduction of 115 a year before, at least partly as a result of measures intro-

duced by Lloyd's. Despite all these difficulties, a series of years relatively free from natural catastrophes and other major losses gave Lloyd's a good run for its names' money, even if the US liability problem tended to be some-what disguised by the concentration of the oldest risks in a few hands by the notorious "run off" contracts placed in 1981-82 with Mr Richard Outhwaite's syndicate 317/661 and others, which have given rise to some of the worst disputes between underwriters, and between underwriters and names, and which seem likely to continue to damage Lloyd's reputation for years to come. Current profits were also bolstered by the controversial use of so-called time and distance policies to enable benefits to be taken by, in effect, discounting reserves against anticipated

The syndicates yielding the highest returns in those lucky years were the specialist excess of loss (KOL) and London Market excess of loss (LMX) syndicates. Even more rarifled was the atmosphere breathed by the XOL on XOL writers, syndicates who reinsure syndicates much of whose business is reinsuring other

The writing began to appear on the wall in 1987, with the October storms in Europe and the explosion at Hoechst Celanese in Texas, and was folral catastrophes, major industrial fires, oil rig losses, air crashes, and shipping disas-

Some XOL writers were already feeling the effect of the 1988 loss of the Piper Alpha drilling rig in their 1990 accounts, a disturbing sign of the implications of a rapidly

accelerated payment system.
Piper Alpha losses were said
to be penetrating the top of
some XOL writers own reinsurance protection after only a lit-tle over a year, roughly at the same time as Hurricane Alicia losses were, but Hurricane Ali-cia was in 1983.

Other XOL specialists still featured among the best per-forming syndicates for the 1987 year, but none are likely to do

The market has begun to contract with a vengeance. Gooda 298, a 100 per cent XOL syndicate which had its whole account, rig and XOL on XOL accounts all hit by Piper Alpha withdrags from the markets. Alpha, withdrew from the mar-ket at the beginning of 1990 following a massive defection of names. Merrett 418/417 with-drew from marine XOL on XOL, and 421 from all non-marine XOL on a considered

rather than enforced basis at the same time. By May, when the 1990 storms were into the XOL on

XOL spiral, the eighth event to hit it within two years, the non-marine LMX market was being described as "virtually dead", and there were fears that cash flow problems were were accepting more business in reinstatements than they could find retrocession cover

for themselves.
One underwriter has predicted that the number of XOL specialists would haive to 20 by 1991.

Among a group of marine syndicate amalgamations announced in the middle of the year were a number which wrote significant proportions

At Lloyd's AGM, the chair-men of the non-marine and avistion underwriters' committees were united in their expecta-tion of an imminent reduction in reinsurance capacity.

of measures to attempt to attract a new flow of hat direct business. This year it permit-ted personal lines business to be written under certain conditions through non-Lloyd's brokers or directly through syndicate-related service companies Similar measures adopted for the motor market appear to have been effective in halting the decline in its share of the UK motor market, which recovered to 20 per cent in 1989 after falling from 16 per cent in 1987 to 14 per cent in 1988.



Piper Alpha losses penetrated some XOL protection after only one year

A proposal to remove the distinction between marine, non-marine and aviation business was primarily designed to increase the flexibility of Lloyd's underwriters to offer package policies to multina-tional corporations. Another priority is business from non-UK European sources, at present only 8 per cent of Lloyd's premium income. His-torically, the outlook of both underwriters and Lloyd's bro-kers has been predominantly

Anglophone. Consideration is to be given

foreign brokers. The large Lloyd's brokers set up a line-sip facility for Italian direct business in 1989, and this year a representative office was opened in Germany, although it has encountered teething troubles, while in June 35 syndicates formed a joint venture market of European industrial risks, the first such co-operation with a composite insurer. Trevor Petch is Editor of the Financial Times newsletter

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REINSURANCE brokers have operated freely across the European Community since the Insurance Intermediaries Directive of 1976 permitted those with "certified experi-ence at stated levels" to work throughout the Community; reinsurance has been freely traded in the EC since 1964.

The run up to 1992 bas changed things, however. The wave of European insurance mergers over the last two years has faced reinsurers and reinsurance brokers with the prospect of a rapidly diminishing reinsurance premium base as the number of buyers shrinks and more business is

retained by the larger entities.
Reinsurance brokers operating in Europe face a challenging environment which will test their ability to develop products and services to main-tain and build on their existing client base in a contracting

"The nature of reinsurance is changing and therefore the role of the broker must neces-sarily change," notes Mr Jay Cogswell, of Bain Clarkson, London.

As rating competition increases as groups attempt to achieve larger shares of a shrinking market, "a very seri-ous situation indeed" is emerging. The "never ending appetite for companies" of groups such as Skandia, AXA or Allianz has reduced the oppor-tunities for reinsurers and brokers alike.

However, if existing good relations can be maintained and developed with the Swiss and West German professional reinsurers, for example, the changes could be viewed not so much as a problem but as a challenge. Quality of service, Mr Cogswell believes, will increasingly define brokers'

ability to survive.

Bain Clarkson formed its new European division offering general brokerage, financial services and credit insurance in April this year, deputy chairman, Mr David Berliand explained. It already had offices in Greece, Switzerland, France, Sweden, Ireland and

Belgium. Although this initiative was

largely retail driven. Europe represented a "tremendous challenge" for reinsurance bro-kers, he said.

While their priority in Europe was to look after their retail clients, Bain Clarkson was also actively seeking reinsurance business opportuni-

ability margins.

The removal of barriers in the EC will have no large effects on its reinsurance brok-ing activities there, commented Mr John Pelly, director of Willis, Faber & Dumas, Lon-don, the international whole-

ment, vital to present profit-

'The nature of reinsurance is changing and therefore the role of the broker must necessarily change'

ties. Europe is a large business development area, the second largest source of premium income in the world, with four countries - West Germany. Italy, France and the UK accounting for 60 per cent of that total.

Bain Clarkson would also be following its clients into east-ern Europe, where it already handled a certain amount of business. Developments in Germany offered a great opportu-nity, although this would be over the long term. Bain Clarkson's strategy was to support European markets and to attract reinsurance business through reciprocal trading, he

European reinsurance brokers had tended in the past not to be as pro-active with their clients as North American reinsurance brokers, Mr Cog-

le, reinsurance and specialist broking division of Willis Faber. Willis was already very strongly established in the European markets, with access to clients in every country, he

Their policy in Europe had been to support local markets, improving their ability to per-form by providing reinsurance

They would expect to continue to do this as the thrust of direct retail operations grew stronger. They also made use of the "very fine European reinsurance markets" to place ITK and international reinsurance through London or Willis'

European insurance offices. Mr Robert Gayner, managing director of the European Reinsurance Division of Willis, Faber & Dumas, commented that the waxing and waning of

#### Bain Clarkson's strategy is to support European markets and attract business through reciprocal trading

swell said, as the European market was much more stable. Now, however, "you have to be on your toes all the time," he commented, as competition

A broker must develop new products and find ways to fine tune them to meet the specific needs of clients. Part of the reinsurance broker's value added to clients is their ability added to cheeks is their ability to get claims paid more quickly. One UK composite, going against what has been a trend to deal direct, is now placing all its reinsurance through brokers because of the increased speed of claims payinsurers' market shares would have an impact on the distribution of reinsurance.

As the demand for reinsurance contracted, the reinsur-ance broker's task would be to maintain and develop their own market share as their clients' businesses develop and

This means having good relations with the leading insurers and reinsurers in each European country. Established reinsurance brokers' existing accounts would be their main source of new business in the developing markets of Europe; growth would come from provitomers were finding the bene-fits of a connection with a leading London broking house with the full range of skills needed to service industrial clients

domestically, offshore and on a multinational hasis Banks professional and finance risks captive management and reinsurance were further areas of planning to gear up to a more competitive business climate As underwriters and reinsur-

ers define and concentrate on uate the people with whom they wish to be trading into next century, reinsurance brokers must be seen as com-petitive partners in that pro-

The big test immediately facing brokers and reinsurers is how to combine continuity of coverage for clients with a fair adjustment of pricing and adequate capacity. Direct writing and reinsurance clients have been hit by the consequences of the increasing frequency and magnitude of natural catastrophe losses, which have brought about a retrocessional capacity crunch. This was testing client/reinsurer relations in a climate of uncertainty and change.

European clients are sophis ticated, Mr Gayner said, and generally know their risks, reinsurance strategies and requirements. The broker acts as a confidential adviser, and having completed placement, is responsible for after sales ser-vice such as the collection of

Continental insurers had been critical of London's service in this area, and not without reason, he said. The recent introduction of weekly settle-ments by Lloyd's, the Institute of London Underwriters (ILU) and the Policy Signing and Accounting Centre (PISAC) together with the London Insurance Market Network (LIMNET) and the ELASS system had already improved the speed and accuracy of much claims advice and settlement work. Greater efficiency means lower costs for insurers and brokers with improved service leveles for their clients.

INTERVIEW: Jim Payne, E W Payne Companies

## Integrity of the business is essential to its future

THE REINSURANCE market is undergoing a process of subtle but profound change, in the opinion of Mr Jim Payne, chairman of the E W Payne Companies, the reinsurance

broking arm of the Sedgwick Group, London. In Europe, for example, where historically the demand for reinsurance has been greater than in the US and Japan, the market is going through its largest process of restructuring through acquisi-tion and merger. The larger units which are being formed. with their more homogenised portfolios and increased capacity for retention, have reduced the demand for reinsurance products.

In the US, there is excess reinsurance capacity: recent studies have shown than only 70 per cent of the surplus available is utilised.

This has created pressure to grasp market share and a prediction that the soft market is the normal condition and that the hard market is the occasional exception. The trend towards non-proportional cov-ers away from pro-rata distribution will continue and this will further reduce the premium base around which the industry is built.

Reinsurance brokers have a role to play in this process of change. With their simple placing function in a low technology business substantially reduced, they must be prepared to add additional transactional value to the buyer/ seller relationship, using their wide network of contracts to act as the conduit for a range of ideas to find the best fit for a client's needs.

An insurer dependent on just one reinsurer could begin to feel uncomfortable, Mr Payne says.

A reinsurance broker works on a client's behalf, designing programmes and advising on the state of the market as well as collecting and distributing premium and claims payments. A reinsurance broker sells comfort, not products, Mr

The reinsurance broking community may follow the tendency of the direct market and factor driving the changes in



Jim Payne: sees profound and subtle changes

polarise into very large general brokers and small specialist

operators, with the middle ground falling away.

Mr Payne is a supporter of niche operators: "The small, nimble and efficient broker is a worthy competitor to the large

Larger broking units can take full advantage of the opportunities offered by new technology in networking and systems including statistical and actuarial modelling, risk management and research. The old-style broker who got the order after a 23 martini lunch is gone; the emphasis is on risk evaluation, product develop-ment and service, discussed in detail with client representa-

tives often at board level. The single most significant the reinsurance industry, how-ever, has been the effect of the series of catastrophe losses starting with Hurricane Hugo last September.

That was "a battering that few if any could have contem-plated," he says.

"This year-end will be a time when every component of the industry has to examine itself and plan for its future, the only year I can recall, going back to 1965, when no-one can

make any assumptions about anything," Mr Payne says. The fact that the market was "fluid in the extreme" would give a number of people "a lot of opportunity." In spite of the battering, with more claims, many of "astronomical size," paid in a shorter period of time than ever before by a system which had neither anticipated

nor been designed for such an onslaught, the market was not falling apart, nor was there a problem with capacity. Mr Payne is sympathetic to

Mr Payne is sympathetic to the argument that the problem was with price.
He points out that it was too simple to say that rates should go up. Rather, it should be recognised that reinsurance buyers will buy in a different way, sellers sell in a different way and brokers broke in a different way.

"People with business vision will have an enthralling yearend... people who have spent half their lives saying the same thing, pursuing predictable business paths, will have trouble."

have trouble." The London market and Lloyd's provision of retroces-sion capacity is in the process of structural change: the retro chain has been to some degree chain has been to some degree found wanting. Reinsurance buyers will be buying differ-ently and the process of risk transfer adjusted. "Good buyers" will always

be able to purchase reinsur-ance if they can pay, as price creates capacity. Reinsurance may be considered a source of capital, Mr Payne argues, with the retrocession market and the LMX spiral functioning as

a banking process.

Nothing could turn a \$2bn claim into a \$10bn claim, Mr Payne points out, no matter how intricate the lacework of the retrocessions became. Spiral business, however, is being written at prices that will not support the banking function the system was expected to perform, he says.

At present, the price of the

reinsurance product at the higher levels of the spiral is too low, and the value of the service eroded. Pricing needs to be reassessed throughout the industry, all the way through from direct insurance to reinsurance. Insurance is a business with powerful social implications and responsibilities, Mr Payne says, and should be performance sensi-tive, while the integrity of the business is essential to its

Lynn MacRitchie



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#### **REINSURANCE 6**



ondon headquarters of Alexander Howden Reinsurance Brokers

#### Trevor Petch looks at financial reinsurance

## More than witchcraft

THERE ARE few things financial reinsurers like less than being referred to as financial reinsurers. While most companies active in the area such as the Bermuda-based Centre Re. Forum Re. Pinnacle Re and Scandanavian Re stress innovation as an important element in their approach, they reject the notion that they

are practising some form of arcane financial witchcraft. What makes them different from traditional reinsurers, they argue, is the sophistica-tion which they bring to the management of the money element of the business they

write.
Mr W Allen Taft of Pinnacle
Re, the specialist subsidiary of
CE Heath, the Lloyd's broker, defines financial reinsurance as a transaction where asset, credit and timing risks are transferred by the ceding com-pany with the reinsurer's lia-bility subject to an aggregate limit. The restriction in advance of the assuming com-pany's ultimate exposure is what has led another market leader, Centre Re, to prefer to define itself as a "finite risk

The liabilities to be covered may be losses which occur in the future (prospective aggre-gate covers, PACs), or the development of those which have already occurred (loss portfolio transfers, LPTs). portfolio transfers, LPTs).

In either case, an essential component is a long tail of claims development, since the financial reinsurer will rely on the interval between receipt of the premium and payment of claims to exploit the time value of money to fund losses

Where a ceding company wishes to withdraw from a par-ticular area (the London Maricular area (the London Mar-ket for example, or a captive insurer from unrelated busi-ness), an LPT will enable a cur-rent credit to be taken for the transfer liabilities while it manages to run-off itself, if it wishes. The PAC purchase, on the other hand, receives the same benefit to its profit and loss account while stabilising future income flows, the spe-cific aim of another financial reinsurance product, spread

These types of contract bave been criticised, particularly by the US authorities, for involving no real risk transfer, but this view is mistaken, according to Mrs Maralyn Fichte, managing director of Centre Re's London representative

"There is a finite risk, which declines from day one because it is a function of investment income and the rate of claims payment," says Mrs Pichte. The assumption of the tim-

ing risk is what differentiates a financial reinsurance from so-called Time & Distance poliditch solution, a mechanism for smoothing out profits or the balance sheet, but it need not be," Mrs Fichte says.

Nor has the reputation of LPTs been enhanced by court actions in the US. For example, the parent company of Transit Casualty and the liquidator of Mission Insurance both alleged that reinsurers who assumed LPTs contributed to the delay in discovering that the ceding insurers were financially

impaired. Financial reinsurance can also be used in a more pro-ac-tive way by clients who are

The distinction between financial insurance and reinsurance is becoming

increasingly blurred

cies (T&Ds), which provide a structured payments pro-gramme in return for a cash

With a finite risk reinsurance, the premium is higher, but there is no restriction on claims payment," Mrs Fichte explains. T&Ds may be bought by the same kind of client for the same kind of reason, for example to relieve pressure on company financial statements of a book of outstanding claims, so called "surplus

However, Mrs Fichte says the method of some prospec-tive clients whose approach is based on the cost of securing a current credit of a certain size regardless of the liabilities involved is "bad use" of finan-cial reinsurance.

One motive force behind the development in the 1980s of LPTs, one of the earliest and simplest financial reinsurance products, was new taxation regulations, especially in the US, according to Mr Jens Juul, president of Scandanavian Re. The usefulness of such

instruments for insurers who are having difficulty meeting performance targets demanded by shareholders or regulatory authorities, or for those responsible for rehabilitating companies with severe solvency problems, has tended to give financial reinsurance a reputation of being "a last looking for a cost-effective method of establishing a stabilisation fund. Potential purhasers include parents of newly-acquired subsidiaries looking for a steady stream on income

"A whole account stop loss policy excess of a given loss ratio will enable the reinsurer's balance sheet to be used from day one, with losses paid as paid, and will provide a sta-bilisation fund if the excess limit is not reached." Mrs

Fichte says.

There will also be the benefits of another universal feature of financial reinsurance products, profit sharing in the event of better-that-expected

This may take the form of a return of part of the premium, but the reinsurers in general prefer other forms of rebate.
"Flexibility develops as time goes on," according to Ms Fichts. "Deductibles, limits and coverage may all be

changed. We prefer to share profit by increasing cover."

The principle of cedants' par-ticipation in the upside makes pricing for one obvious target market, open years of Lloyd's syndicates, very difficult, since there is no entity with which profit can be shared. For syndicates which have

no successor, cover is impossi-ble because of the Lloyd's requirement for unlimited lia-

writes an unlimited policy, ever," Ms Fichte says.

The profit-sharing mechanism, along with the tailoring of each contract, form an integral part of the intense competition between financial reinsurers, whose profitability depends ultimately on their ability to judge the timing risk. Changes in legal procedure, such as recent attempts to join asbestosis claims in the US into a class action, can have a profound effect on the rate of claims payment by the reinsur-ers and therefore their profit-

There is also competition from more traditional reinsur-ers who, aided by brokers, are increasingly offering quasi-fi-nancial reinsurance products. Ms Fichte identifies in par-

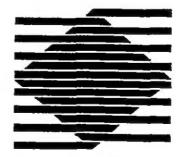
ticular "the bandwagon of funded catastrophe reinsur-ance." Buyers will fill gaps in coverage using it on an oppor-tunistic basis, she suggests, but reinsurers' adoption of credit risk, sometimes with bling the exposure, "could lead

Another trend, according to Mr David Thompson, special risks manager of Zurich Inter-national UK, is an increasing blurring of the distinction between financial insurance and reinsurance, particularly from the viewpoint of the risk manager operating a captive.

For multinationals which are involved in contingency plan-ning to deal with uninsurable or uninsured risks such as computer risks, product contamination and tamper, extortion, or some pollution risks, it is a small step to consideration of how to finance these occurrences via creation of a fund using financial engineering techniques.

Although, particularly in the US, the authorities are reluc-tant to accept insurance for highly improbable events as genuine covers, according to Mr Thompson these represent an attempt to "anticipate these inevitable, which will happen to someone, somewhere, sometime."

Trevor Petch is Editor of the Financial Times newsletter World Insurance Report



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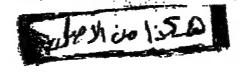
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SOLID PROTECTION AROUND THE GLOBE

WALL IN

Trevor Petch looks at how Munich Re and Swiss Re are preparing for increased competition in the run-up to 1992

**REINSURANCE 7** 

## Europe's reinsurers jockey for top position

DISSATISFIED with extreme short term fluctuations in the availability or price of cover, risk managers for large multi-national corporations in the mid-1980s began to look for a more stable market. Tax considerations spurred growth of captive insurers, which themselves encouraged new approaches to self-financing methods, initially for lower level and more easily predicted risks, but increasingly for cate-

strophic or unquantifiable risks such as product contami-nation or computer tamper. As a result, major insurance purchasers are demanding more sophisticated pro-grammes backed by an array of loss control and financial

These, so the conventional wisdom goes, can be supplied only by the largest insurers. Simultaneously, increased use of alternative markets has reduced the flow of bread and butter business to direct insur-ers, while the trend towards concentration of elements of a global industrial production process in single plants has led to a rise in insured vales and exposure for loss of profits and business interruption covers.

This has tended not be reflected in technical premium adjustments, despite the warnings provided by the fires at Bayer's plant at Oerdingen and BASF's Antwerp factory in

The single European market gave a further impetus to insurance concentration, ushering in a wave of merger and acquisition activity as companies strove to protect their domestic markets, gain a foot-hold in new ones, or pursue a perceived imperative to achieve 'global mass'. A trend towards larger direct insurers, better able to retain a larger demanding less of the tradi-

tional proportional reinsurance covers and seeking more pro-tection for catastrophic and aggregate losses, has obvious implications for reinsurers, despite the fact that in Europe, there has been freedom of services in reinsurance since 1964.

At the simplest level, the effect is likely to be an intensification of the peaks and trough so the reinsurance cycle. Reinsurers, too, may find that a critical mass is required for long term presence, especially as there are signs that retrocession capacity is beginning to shrink.

The stimulus that this jockeying for position gave to competition added to downward pressure on premium rates.

pressure on premium rates, particularly for industrial covparticularly for industrial covers. This trend is particularly apparent in Europe, where Swiss Re's board of directors noted as long ago as 1985 that, with regard to natural catastrophe, "it is obvious that these risks are being underestimated." By 1987, the board commented that 1992 was beginning to affect industrial beginning to affect industrial business, "precisely (that) which has repeatedly brought unsatisfactory results for years in both Property and Casualty insurance," and hoped this would not lead to a further erosion of premium levels.

Munich Re was warning of "exaggerated and unjustified" competition in the German fire

SWISS REINSURANCE

11,148 10,885

1986-87

1987-88

MUNICH REINSURANCE CO

11,946m 11,734m

Profit (SFrm)

long ago as 1984. Munich Re has also bemoaned a surfeit of reinsurance capacity which has lasted over a decade "put up indiscriminately and with insufficient knowledge, this situation further apprayated by uation further aggravated by the activities of international Despite believing that rein

their disposal other than increased selectivity to achieve a speedy improvement in results if the direct market itself is making heavy losses, Munich Re is committed to maintaining itself as a pure reinsurer uninvolved in direct business. It has, however, expanded its provision of ser-vices in such fields as risk management, marketing and training and staff organisation, and data processing. Interna-tional Insurance Consultants in Munich, and the Munich American Service and Intermediary Corporations in the US offer clients advice on placing facultative and compulsory business and other claims and consultancy services. In 1988 it established a joint venture in London with SG Warburg. Munich London Investment Management Ltd, to advise on global financial placement. Risk spreading has tended to be through geographical expansion, most recently with the opening of new offices in South Korea, Greece and Tur-key in 1989. It has also taken



Dr Walter Diehl, Chairman of Swiss Re; right, the head office of Munich Reinsurance

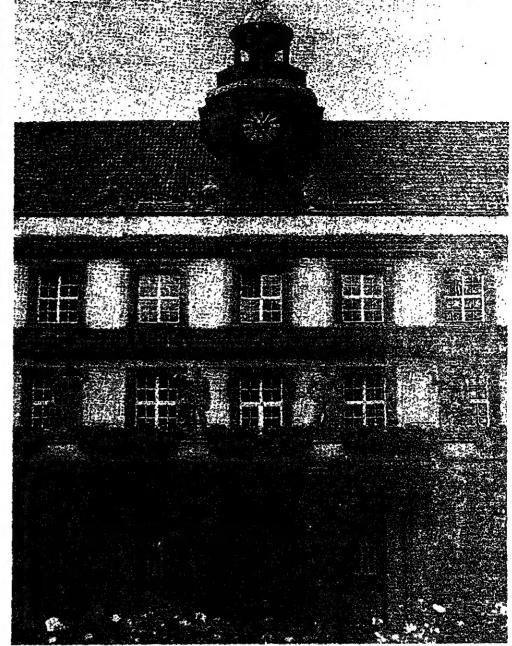
cover for captives and other alternative markets. Its most recent annual report said that it did not share a pessimistic view of the future.

has also progressively pruned its portfolio, particularly with regard to US liability exposure. Its chairman, Dr Walter Diehl, said in 1988: "Our traditional product, reinsurance, is pro-gressively being expanded into a varied and client oriented package that covers reinsurance and diverse services." During 1987 and 1988, Swiss Re bought or set up 12 service companies, including one of the world's largest captive management groups, the Ber-muda-based Reiss Organisa-tion, loss adjusters Thomas Howell Selfe and five computer services companies. In 1989 services turnover had reached SFr195m (£78.6m), but the company reported that its informa-tion services subsidiaries had yet to achieve their goals.

Where Europe's two largest reinsurers differ radically is in their strategic approach to involvement in direct business, which Munich Re continues to eschew, but Swiss Re is business represented one third of consolidated worldwide premium income, 85 per cent of it drawn from West Germany. In 1987 it bought two direct writ-ers in Spain and one in Australia, followed in 1988 by Lloyd Adriatico, which had 1988 pre-mium income of L814bn (£268m) making it the seventh largest insurer in Italy. By 1988, direct business represented 48 per cent of total pre mium income, just short of Swiss Re's aim of 50 per cent. With reinsurance results expected to become more vols-

tile in response to changes in

the underlying structure of the industry, and little scope for enforcing increases in premium to compensate, increased proportion of direct business in theory might offer a more stable stream of income. Experience so far, however, indicates that Swiss Re continues to do better at its core business. Between 1984 and 1988 inclusive, direct pre-mium income rose by 53 per cent while reinsurance pre-mium fell by 16 per cent. Con-solidated profits from reinsurance subsidiaries almost doubled over the same period



to SG159m (£68m). By comparison, profits from direct insur-ance subsidiaries increased by only 38 per cent, representing 19 per cent total profits in 1988 as opposed to 25 per cent in 1985 despite the 58 per cent increase in premium volume.

Nor has Munich Re per-formed at all badly: from an increase in reinsurance pre-mium income of 13 per cent over the five years to June 1989, it generated a 33 per cent profit. Munich Re said last year that it was confident of its ability "not only to adjust to profound and far-reaching changes in markets but also to make these changes the source of innovative developments.

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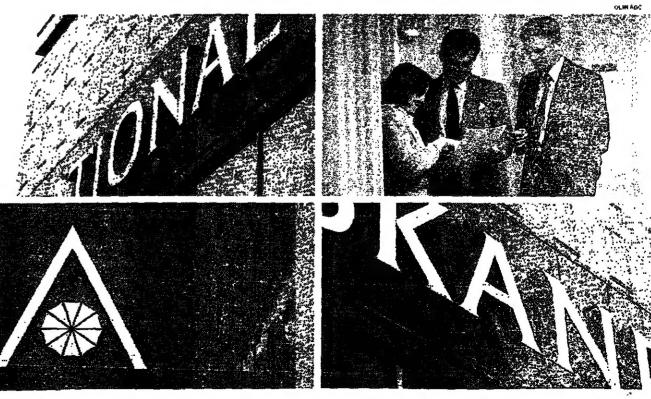
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#### Richard Lapper on a sophisticated insurance alternative

## Growing appeal of captives

AS MANY companies in various industrial and service sectors begin to create their own 'captive' insurance subsidiaries, a sophisticated alternative insurance market along US lines is beginning to emerge in Europe.

The development is increasing competition in the market for commercial and industrial insurance and is adding a new dimension to the strategic

choices faced by Europe's insurers, reinsurers and brokers in the 1990s.

In the US, single parent captives (formed by one company) or group captives (formed by several companies in the same industrial sector) and other alternative risk financing vehicles (such as pools formed by hospitals to insure medical

malpractice risks) write more than 30 per cent of insurance premiums.

That market share could

increase by 50 per cent by the end of the decade.

Tax breaks originally spurred US corporations to form captives in significant numbers in the 1950s.

numbers in the 1950s.

Companies could deduct their premiums paid to their own captive insurer against their tax liabilities as well as benefit from a number of attractive tax environments provided by offshore centres

 CAPTIVE DOMICILES OFFSHORE

 Location
 CICR estimate

 Bermuda
 1,275

 Cayman
 325

 Barbados
 175

 Bahamas
 35

 Guernsey
 180

 Luxembourg
 110

 Isle of Man
 80

 Singapore
 45

 Vermont
 151

 Colorado
 25

 Other US domicites¹
 45

 Other US states²
 150

 All other non-US
 179

 US public entity pools
 225

 TOTAL
 3,000

Source: Titlinghest Ceptive Insuration Company Reports, January 199

such as Bermuda and the Cayman Islands.

Although many of these advantages have been eroded by the US tax authorities, companies have continued to form captives for a variety of res-

During the last unturn in the US market, insurance became either unavailable or so expensive for some of liability risks that buyers were left with no option but to self-insure.

The notable success of some captives, especially the chemical industry ACE and XL cap-

tives, strengthened their

Management consultants, insurance brokers and risk managers who make their living by advising businesses on how to self-insure suggest that captives allows insurance to smooth out the cyclical ups and downs in premium rates which characterises the insurance market.

"Many companies view captives as a way to prepare for changed market conditions," says Mr Brady Young, a consultant with the Tillinghast company which advises companies on ways in which they can finance risks inside and outside the insurance market.

"When things are very

tough, some companies pull their captives off the shelf and insure more risk through them by funding higher retentions. When the market becomes more competitive, they go back to the direct market."

Because companies insure

Because companies insure more risks themselves when they opt to form a captive, it can encourage them to make more efforts to control every-day bases by devoting more resources to safety and training.

managers have corporate responsibility for insurance buying and the operation of a captive as well as supervising management programmes to encourage safety consciousness or introduce working methods to limit minor losses.

London-based international insurance brokers such as Sedwick started the self-insurance hall rolling in Europe when they began to market many US self-insurance prac-

tices and techniques in the late 1970s.
Since the early 1980s Britain's own offshore centres, the Isle of Man and Guernsey, have offered an attractive tax regime to UK companies want-

ing to form captives.

"Overall there is a more sophisticated market in the UK. People are more tuned in and more competitive," says Mr Young, whose company Tillinghast recently produced figures indicating that more than half of Europe's 600 or so captives are from Britain.

Insurance buyers elsewhere in Europe are catching on. The prospect of an end to the current soft market, increasing corporate interest in financial engineering techniques and high interest rates are all par-

Many European companies are now becoming bigger, partially as a result of the drive towards the single European market, and, as a result, are becoming more sophisticated in their insurance buying.

Mr Tony Benson, risk manager of Guinness, the UK based brewing group, told a recent conference that the UK composite insurers were simply not big enough to meet his company's global insurance needs. Mr Benson estimated that he could probably buy only about £400m in global product liability indemnity from the UK composite companies, a coverthat would not be big enough to protect his company from catastrophe.

Many smaller and mediumsized European companies are also showing interest in self-insurance West Car.

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Tax advantages, long since eroded in the US, are still largely intact. Mr Richard Latham, formerly an enecutive with European Risk Management, set up his company Richmond Insurance Services, specifically to advise smaller

European companies.

According to Mr Latham, whose company operates across Europe, "the captive idea has suddenly become acceptable to French and German companies. It is beginning to generate interest in Spain and Italy."

ticularly popular in Europe as a means of insuring risks that the market is fighting shy of Insurers are unenthusiastic about covering pollution liabilities, especially in the context of a move towards a European wide strict liability regime for pollution risks, and product liabilities, especially where companies have substantial is exposures.

Mr Latham says captives are also a good way of insuring credit risks. He says that rates on the direct market are high. They are very much cheaper if you are part of a captive and can buy excess of loss cover on.

## Many European companies are showing interest in self-insurance

the reinsurance market."
In the UK, the lack of professional indemnity cover prompted a number of professional organisations bringing together architects, accountants, solicitors and, ironically, insurance brokers to form

group captives.

The opening in Dublin of the first offshore centre actually within the EEC has also given a fillip to the movement in Europe.

Europe.
Unlike the Isle of Man and Guernsey, Dublin has full EEC status, allowing captives based there to operate on a European-wide basis.

Fifteen have been established in Dublin so far, says an official at the centre, which hopes to establish a further this year and atms eventually, perhaps optimistically, to host as many as 500 captives.

"We have been told that we

"We have been told that we have the right combination of RC legislation and the tax structure," says the official, adding that Dublin is aiming to attract the European captive subsidiaries of Japanese and US companies as well as European

pean multinationals.

For reinsurers the development of captives can present problems since it could undermine the position of the traditional partners in the direct insurance field.

This could be a particularly acute difficulty for those reinsurers who have traditionally enjoyed very close links with direct writers.

Many reinsurers, however, accept that the the best way to win corporate business is to follow the trend and advise their corporate clients on how to form cantives.

Companies like Skandia in Europe and General Re in the US have already gone down this road, while Swiss Re, one of the world's biggest reinsurers, diversified into the area by taking over one of the pioneers of the risk management industry, the Reiss Organisation.

Munich Re, the world's big-

gest reinsurer, has been more reluctant to enter the captive management and services field. However, this attitude may be changing. One of Munich Re's leading executives recently claimed that "insurers and reinsurers might need to



The success of the chemical industry ACE and XL schemeled strengthen the appeal of captives.



Sue Ingham, Vice President, and Alan Blake, Vice President, talking with Roman Kadron (centre), Vice President and Head of Citibank's Transaction Processing Division.

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